How the Guv's Energy Donors Stack Up

california JOURNAL

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Gray Davis: Show me the money

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california JOURNAL

May 2001
Volume XXXII, Number 5

Upfront
A Democratic challenge to Gray Davis?

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Two Cents
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By Emelyn Rodriguez

D.C. Perspective
Turning out the lights on Bush, Gray?
By Marc Sandalow

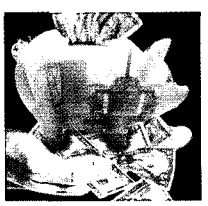
At its best

The two most recent editions of *California Journal* display this magazine at its very best, carrying forward what is now a 31-year mandate for significant public-affairs reporting and revealing how much the *Journal* has matured under editor Cynthia Craft's vision and leadership. In April, senior editor Emelyn Rodriguez explained, from the ground up, the health-care crisis mounting for those Californians who live in the state's vast rural enclaves. This month, Craft herself chronicles Governor Gray Davis' relentless search for campaign cash and its potential effect on the making of public policy. Each story stands alone as a monument to top-notch reporting. But taken together, they also illustrate — by their very contrast — the priorities often set by this state's body politic. And next month, the magazine takes what has become an annual sojourn to an important region of California — in this case, Orange County, once considered the home of bedrock conservative Republicanism. As they say, things ain't what they used to be.

y A.G. Block

Gray Davis: Show Me the Money
He's the state's most-monied governor ever, but Governor Davis' fund-raising prowess raises doubts about his priorities.
By Cynthia H. Craft

California's big-money players
When it comes to campaign donations, Governor Davis commands a cast of the super-rich and famous.
By Melanie Smith

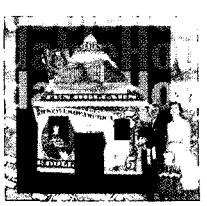


Energy dollars flow
Governor Gray Davis and the Legislature benefited from a huge influx of contributions from the energy industry
By Peter Asmus

Psst! Take a peek
For political peeping Toms, this Web site has it all: a by-the-zip-code look at contributions.
By Claudia Buck

The comeback kid
At 79, March Fong Eu is back, running again for secretary of state. Does she still have it?
By Emelyn Rodriguez

Judicial money race
No candidate is immune from escalating campaign costs, even a judge. Does this new reality threaten the judiciary?
By Bob Egelko



The housing pinch
From San Diego to Sacramento, too many Californians can't find affordable housing.
By William Fulton and Paul Shigley

Illustration by Charles Waltmire

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umbrage

Et tu, Brutus? Beware the ides of March, Governor Gray Davis, for the Furies are honked at you. Everything seems to be going wrong these days for fair Caesar, whether it's PG&E messing up Davis' energy plan by filing for Chapter 11 or the guv's polling numbers dropping faster than gladiators in the Roman Coliseum. Now, there are whispers of a possible challenge in next year's Democratic primary. This wouldn't come as a surprise if the attack was on Davis' left flank, given the centrist guv's repeated banishing of liberal plebiscites to outer Phoenicia. Instead, the upstart general toying with marching on Rome is none other than fellow centrist Democrat Phil Angelides. The state treasurer has been conferring with key Sacramento players in recent weeks to gauge support for a gubernatorial run in 2000. Some Democrats unhappy with Davis' handling of the energy crisis would be happy to see an Angelides rebellion. There are other Dems, however, who wouldn't back Angelides for Plebe-

ian of the Month due to a long ago war with then-Senate President David Roberti in the 1994 primary for state treasurer. But that bit of ancient history alone wouldn't dissuade the ambitious Angelides from running against Davis. Battling a vulnerable incumbent may seem no riskier a strategy than waiting until 2006 (when Davis would be termed out) to take on two other would-be Democratic Caesars yearning for the gubernatorial throne: Attorney General Bill Lockyer and Lieutenant Governor Cruz Bustamante. In the meantime, the governor may want to build himself a sacrifice altar for the gods to prevent any further torments from befalling him. Anyone seen Loretta Lynch around?

Employment in Exile. Speaking of wanna-be Caesars, guess what Dan Lungren has been up to lately? After trying his hand at talk radio on the Catholic radio network, the former state attorney general and vanquished 1998 gubernatorial opponent of Gray Davis has been buddying up to an old nemesis: plaintiffs' attorneys. According to the *San Diego Union-Tribune*, Lungren has pulled down just over $200,000 for helping the lawyers try to win billions in legal fees for suing tobacco companies. Lungren—the man who used to rag on attorneys to no end. The same guy who had to be dragged kicking and screaming while AG to join the multi-state lawsuit against tobacco companies.

Oh, Boyd! Angelides isn't the only one giving the governor a run for his money. Announcing her bid last month for the 2002 Democratic primary is the lesser-known Mosemarie Boyd, a Sacramentan and former aide to Davis' chief of staff. You might say running for office is the next logical step for Boyd, who last year launched American Women Presidents, a nonprofit whose mission is getting more females elected president and vice president. Recently the group mailed letters to more than 100 women governors, legislators and Congress members, as well as women heads of *Fortune 500* companies, urging them to consider running for president in 2004. The 35-year-old's resume cites her work for Democratic U.S. Senator Dianne Feinstein, Congresswoman Loretta Sanchez (D-Garden Grove) and Attorney General Bill Lockyer. With a master's in national security studies, she's served with the World Bank in Washington, D.C. and done a stint in Bosnia. Presumably, that will fortify her for the rigors of statewide campaigning.

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L.A. Story: Mayoral runoff shows diversity

by Sherry Bebitch Jeffe

Recently released census figures tell the story behind the 2001 Los Angeles mayoral campaign: Diversity brings change. The U.S. is a more racially and ethnically diverse country than it was 10 years ago. In California, the trend has been even more dramatic. Here, Latinos now outnumber blacks and account for one-third of the state's population. Non-Hispanic whites have slipped below 50 percent, making California a "majority-minority" state.

The City of Los Angeles mirrors that transformation; whites are now 30 percent of the population, down from 37 percent in 1990. Latinos, who were 39.9 percent of the city's population a decade ago, now account for 47 percent. The black population dipped from 14 percent to 11 percent. Nowhere are the political implications of this new demographic pluralism more evident than in L.A.'s first mayoral race of the 21st century.

Angelenos went to the polls in the April 10th primary with the potential of electing one of several firsts for their city: the first modern-era Latino (former Assembly Speaker Antonio Villaraigosa, Congressman Xavier Becerra), the first woman (State Controller Kathleen Connell), the first Jewish Republican businessman Steve Soboroff, City Councilman Joel Wachs) or the first openly gay (Wachs) mayor. Voters also had the option of embracing political tradition (City Attorney James Hahn, son of the late County Supervisor Kenneth Hahn, a legendary white politician who is still revered by his black constituency. With no African-American in the mix, Jim Hahn was dubbed the "surrogate black candidate.")

> The Los Angeles that emerged from riots, recession and natural disasters is a city content with the way things are going but hungry for a new policy direction.

Angelenos chose Hahn and Villaraigosa to compete in the June runoff, pitting the power of tradition against the dynamic of change. Miguel Contreras, whose powerful Los Angeles County Federation of Labor helped propel Villaraigosa to first place in the primary, defined the up-coming battle as "the old L.A. versus the new L.A."

Los Angeles Times exit poll data back him up. About half the city's voters were Anglo, down from 68 percent in April 1993, the last time the mayor's seat was open. This time Latinos comprised 20 percent of the electorate, up from 8 percent in 1993. Meanwhile, the black vote dropped slightly from 18 percent to 14 percent.

Along with gaining solid support from African-Americans (71 percent), Hahn relied heavily on voters 65 years of age and older (33 percent). Villaraigosa's support was reliably Latino (62 percent) and younger (46 percent of voters 18-29 years old).

The role of the San Fernando Valley, the city's Westside and Jewish voters remains pivotal. Jewish voters supported Soboroff (27 percent) and Villaraigosa (26 percent) equally; Wachs garnered 22 percent and Hahn 16 percent of the Jewish vote.

The Valley is no longer white, suburban and conservative; Latinos accounted for 13 percent of its vote — up from 9 percent in April 1997. Soboroff, the lone Republican and Mayor Richard Riordan's endorsed candidate, split the area's vote with Villaraigosa (roughly 28 percent each), while Hahn got about 16 percent.

There is an ethnic tension in that divide that could impact the run-off campaign. Villaraigosa's strength was in heavily Latino neighborhoods in the eastern and central Valley. Soboroff was favored in the predominantly white communities around the Valley's rim. These are home to many moderates, conservatives and Republicans; the more moderate Hahn will mine for votes there by pushing Villaraigosa hard to the left.

Hahn's strategy will be to court conservatives, Republicans and business supporters who are nervous that a Villaraigosa victory, based on the potent Latino-labor synergy, will turn City Hall over to the unions.

Los Angeles is a heavily Democratic city; Republicans account for just one of every five voters. Hahn will need to expend energy and money to make inroads here.

The Los Angeles that emerged from the riots, recession, and natural disasters of the 20th century is a city content with the way things are going but hungry for a new policy direction. It is a city of rambling homes in gated communities and homeless encampments on poverty-stricken streets. Its electorate, like its population, is diverse and divided. The test the two mayoral contenders face over the next few weeks is to build a majority from this profusion of minorities.

Contributing Editor Sherry Bebitch Jeffe is senior scholar at the University of Southern California. Comments may be sent to **edit@statenet.com.**

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Foreign Markets:

All eyes on China

While most of the world's attention was riveted on a Chinese runway last month, foreign diplomacy of a different sort was unfolding in California's capitol, as three dozen dignitaries gathered to launch "Chinese.com," a Internet marriage of commerce and culture.

This previously Chinese-language-only Web site rolled out its first English editions in four U.S. cities, including Sacramento (Web sites for San Francisco and Los Angeles are in the works). It's aimed at giving mainland Chinese a window into California's cultural and business world, as well as access for California businesses to China's markets. "Sacramento.Chinese.com" cites the city's history, geography, government services and cultural events.

But the bottom line is strictly business. Richard Fang, the company's young China-born CEO, intends to cross the borders, providing bilingual Internet marketing, Web site development and business consulting services.

Sacramento was chosen for the West Coast regional office partly because it was cheaper than LA and SF but also because of its proximity to state agencies and high-tech communities here and in Silicon Valley.

But proximity to politicians was not high on the list. In fact, Chinese.com is not planning to make any campaign contributions. "We don't have that much cash," said Fang. "Besides, politicians change too fast here."

Legislative Watch:

Moms on the move

They say it was like setting the dinner table for 10 and having 100 show up. That's how organizers of the first-ever Million Mom March describe the grass-roots response last May to their call to arms on gun control. From Sacramento to Washington, D.C., thousands of "mothers and others" crowded the streets in a Mother's Day celebration like no other.

Since then, some 230 chapters have sprung up nationwide; 28 in California alone. Their mission: to press lawmakers into passing "sensible" gun laws.

This year, the Million Mom marchers are back, with added ammunition: Supporters will descend on statehouses nationwide, armed with legislative petitions and heartfelt pleas. In California, their efforts are focused on SB 52, sponsored by state Senators Jack Scott (D-Pasadena) and Don Perata (D-Oakland), requiring handgun purchasers to be thumbprinted and pass a written test.

Carol Kingsley, widow of a handgun violence victim, speaks to 5,000 supporters at last yea MMM rally in Oakland.

MMM's national president is Mary Leigh Blek; her husband, attorney Charles Blek, is California's MMM president. The Laguna Hills couple became crusaders after their 21-year-old son, on summer break from college, was killed in 1994 by a kid with a handgun. The Bleks, longtime Orange County Republicans, believe the political equation in the Legislature is changing on gun control, even in their own party. "The public is educated and they're ready to do something about it. Politicians can't be anti-gun control anymore," she said.

Quotables.....

"Everybody's out to protect their own bacon."

— State Senator Debra Bowen (D-Marina del Rey), chair of the Senate energy committee, commenting on the increasing number of special interests, from movie studios to citrus growers, begging the Legislature to exempt them from power outages this summer.

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Science Watch:

From the mouths of babes

They're looking for a few good teeth, baby teeth to be exact. In what may be one of the most curious scientific queries, some 5,000 households in Sacramento and San Luis Obispo counties recently found bright-pink envelopes marked "Project Tooth Fairy" in their mailboxes. Inside was a letter from actor Alec Baldwin, asking parents for one of their children's baby teeth.

Baldwin's request was sponsored by the Radiation and Public Health Project, a Miami Beach-based research group studying the link between cancer rates and Strontium-90, a radioactive chemical released by nuclear power plants. Like calcium, Strontium-90 imbeds itself in teeth and bones. According to the project's findings, women living within 100 miles of a nuclear reactor are at the greatest risk of dying from breast cancer. And, Project Tooth Fairy further notes, cancer death rates for children in San Luis Obispo County nearly doubled in the late 1980s after the Diablo Canyon nuclear plant went online; in Sacramento County, it dropped 8 percent after Rancho Seco was shut down.

To study the link, researchers are seeking 5,000 baby teeth for Strontium-90 testing. Recipients are instructed to wrap their child's tooth in tissue, slip it into the enclosed envelope and mail it to Florida.

Will this become the next Erin Brockovich case? A state Department of Health Services spokeswoman said "we've received no complaints or questions" about the study or Strontium-90 itself. Nor does the state have testing of its own under way. Because small amounts of Strontium-90 are already present in the environment due to atomic testing in the 1950s, state scientists believe it would be virtually impossible to determine a specific source of Strontium-90 in baby teeth. UC Davis toxicology professor Dr. Otto Raabe says the study's premise is "junk science." He dismisses the Tooth Fairy Project as "another attempt to scare people and promote a warped view of radiation risks."

But that's not deterring some Californians. As of early April, just two weeks after the envelopes arrived in mailboxes, Project Tooth Fairy reported it had received 15 teeth from Sacramento and 12 from San Luis Obispo. Now that's something to chew on.

Compiled by CJ Editors

By the numbers

Gunning for control

$4.0 million: Amount spent nationwide by supporters of gun rights in 2000

$434,089: Amount spent nationwide by supporters of gun control in 2000 *

144: Total number of firearms regulations enacted by California cities and counties as of December 1997.

300: Total number of firearms regulations enacted by California cities and counties as of December 2000.

2: Number of city/county ordinances banning the sale of "Saturday Night Special" handguns in 1996.

56: Number of city/county ordinances banning the sale of "Saturday Night Special" handguns in 2000.

Source: The Center for Responsive Politics (*Based on contributions to federal candidates, PACs and political parties, as reported to the Federal Election Commission); Legal Community Against Violence; "Communities on the Move" 2000 survey.

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Gray Davis: Show me the money

Presumably, Governor Gray Davis was under a great deal of stress when he lost his cool in public on his way to a recent fund-raiser near the Capitol. What other explanation could there be for the staccato burst of profanity that Davis squeezed off at a reporter hanging around outside the velvet-curtained Sutter Club, where guests invited to pay up to $25,000 apiece were waiting to see the governor? Spotting a *Los Angeles Times* reporter, Davis called out that his story in that day's paper was "a f—ing piece of bull—t." He then got right in the reporter's face, still cussing up a streak as blue as the hue of his favorite dress-shirt.

Governor Gray Davis is sure he'll need tens of millions of dollars to win re-election come 2002. So he's been busy rustling up campaign contributions. Really, really busy. Is a demanding fund-raising schedule occupying too much of our governor's time and energy?

By Cynthia H. Craft

True, Davis was taking heat at the time for reportedly being in the dark on energy talks. And true, he was being roundly criticized, even by legislative leaders, for attending a fund-raiser the previous Friday at a Palm Springs golf course instead of staying in Sacramento to lead a deadlocked Legislature toward passage of a crucial energy bill. But if it was stress and tension that caused the governor to erupt in public within full view and earshot of passersby, it all appeared to melt away as he turned to enter the private reception being held in his honor.

A man who rarely loses his composure in public, Davis can indeed be very intense, whether in expressing his displeasure or in his persistent, systematic pursuit of the political dollar. Even when it is evident that California voters expect their chief elected leader to put all else aside and burn the midnight oil in earnest search of, say,

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A constant backdrop

As early as June 2000, signs of a looming energy crisis emerged. Governor Gray Davis began taking steps in response on June 14, 2000. Our timeline of the last seven months of 2000 shows these steps, detailed by the governor's office, on the left. The right side reflects Davis' concurrent political fund-raising activity — a constant backdrop to his official duties.

Governor's Actions on Energy	Governor's Fund-raising
JUNE	
	$ = $25,000
	June 1-7 28 contributions for $156,150 $$$$$$
June 14 *Davis calls for emergency reduction of electricity use by all state facilities in the San Francisco Bay area.*	**June 8-14** 53 contributions for $255,212 $$$$$ $$$$$
June 15 *Davis calls on the Public Utilities Commission (PUC) to analyze the conditions that led to electricity shortages in the San Francisco Bay area. Report was released on August 2.*	**June 15-21** 61 contributions for $365,031 $$$$$ $$$$$ $$$$$
	June 22-28 31 contributions for $176,200 $$$$$ $$
JULY	
	June 29-July 5 43 contributions for $173,330 $$$$$ $$
	July 6-12 54 contributions for $183,701 $$$$$ $$
	July 13-19 25 contributions for $153,798 $$$$$ $

solutions to the electricity crunch, the governor's focus on his campaign kitty's bottom line hardly seems to waver.

The Sutter Club reception was at least the third fund-raiser Davis attended the week of March 28, the same week that the Public Utilities Commission unveiled a plan to hike electric rates. Publicly, Davis insisted he was productively engaged in negotiations on behalf of consumers with the critical energy industry players. But only days later, the governor's credibility went haywire as news reports on Pacific Gas & Electric Co.'s bankruptcy filing contradicted Davis, describing the governor's efforts as "going nowhere" and the talks "in chaos." In the *San Francisco Chronicle*, PG&E Chairman Robert Glynn flat-out said there have been "no face-to-face meetings for over three weeks."

To be sure, however, the same three weeks featured plenty of face-time for contributors.

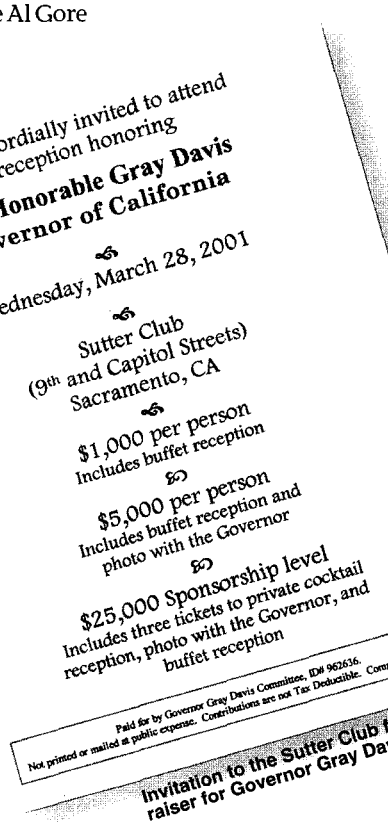
If Davis' resolve to keep up a prolific fund-raising schedule raised eyebrows before California's deregulation debacle — and indeed it did — then the boiling-over crisis has only served to exacerbate the problem. Picture a flashing neon arrow the size of a Texas power generator pointing to this potential Achilles' heel: Davis' tacit admission that Big Money has a rightful place at the table in politics, the bigger the better.

Trouble is, the public begs to differ. Voters are increasingly suspicious of incumbents who never miss a trick when it comes to courting wealthy donors. Given these sentiments, Davis might have known he was risking a backlash when, as governor, he accepted hundreds of thousands of dollars in campaign money from the public utility companies and then vowed to protect their bottom lines. (See story page 20.)

"Davis has two huge vulnerabilities," observes Dan Schnur, a GOP consultant who likely will sign on with a Republican challenger to Davis. "The first is electricity and the second is fund-raising. When you add up those two problems, they become greater than the sum of their parts."

Davis' preoccupation, obviously deepened by the experience of facing Al Checci and Jane Harman, two independently wealthy opponents in the 1998 Democratic gubernatorial primary, predates his arrival in the governor's office. It predates his stint as lieutenant governor; it predates his election as state controller. It goes back further than his two terms in the state Assembly and his tenure as former Governor Jerry Brown's chief of staff. You have to reach all the way back to 1973, and Davis' induction into politics as finance director for Los Angeles Mayor Tom Bradley, to find the roots of his conviction that, without money, you can neither run nor win the race. In his 28 years in California politics, Davis has built a reputation "as one of the best there is" in raising campaign money, his senior political adviser, Garry South, said last year in sworn court testimony. And South, who literally wrote the book on fund-raising, a 1980s handbook that the National Association of Realtors PAC still uses today, should know.

Nationally, Davis' prowess at nabbing campaign cash is legendary. By the close of 2000, the California governor was considered second only to Democratic presidential candidate Al Gore in the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A reception honoring
The Honorable Gray Davis
Governor of California

Wednesday, March 28, 2001

Sutter Club
(9th and Capitol Streets)
Sacramento, CA

$1,000 per person
Includes buffet reception

$5,000 per person
Includes buffet reception and photo with the Governor

$25,000 Sponsorship level
Includes three tickets to private cocktail reception, photo with the Governor, and buffet reception

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Invitation to the Sutter Club f
raiser for Governor Gray Da

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amount of donor cash he was able to rustle up. Keep in mind this was *not* Davis' re-election year. For him to collect $14,249,007 for his treasury in 2000 was all the more impressive because he was competing with November-election contestants for a limited pool of donor dollars.

In California, it goes without saying, Davis has shattered all records. He raked in $6.1 million during his first six months in office — a million dollars a month, $225,000 a week, $36,000 a day in a period when most new governors are busy filling appointments, a task at which he fell behind. By comparison, former Republican Governor Pete Wilson pulled in $1.2 million from supporters during his first six months in office, a record sum at that time.

Secretive foundations

With Davis' first term now past the halfway point, he has upwards of $26 million in his re-election account, in addition to undisclosed sums in private, out-of-the-public-eye foundation funds set up for him as non-profit charities. These foundations are free from the kinds of disclosure laws that require Davis to reveal his campaign account transactions. Some of the foundation money paid for parties Davis hosted at the Democratic Party's 2000 national convention in Los Angeles.

Fund-raising has been going so smoothly for Davis that he is expected to surpass his original goal of gathering $40 million in campaign cash — a figure pegged to the amount that Checchi, then the nation's 113th wealthiest individual, futilely spent in the primary against Davis. Documents filed with the Secretary of State's Office show that during the year 2000 Davis harvested more than 1,800 donations from individuals, unions, corporations, political action committees and others. It's said the governor has since raised his sights to somewhere around $60 million to finance the television ads, mailers and other tools he believes he'll need to secure a second term.

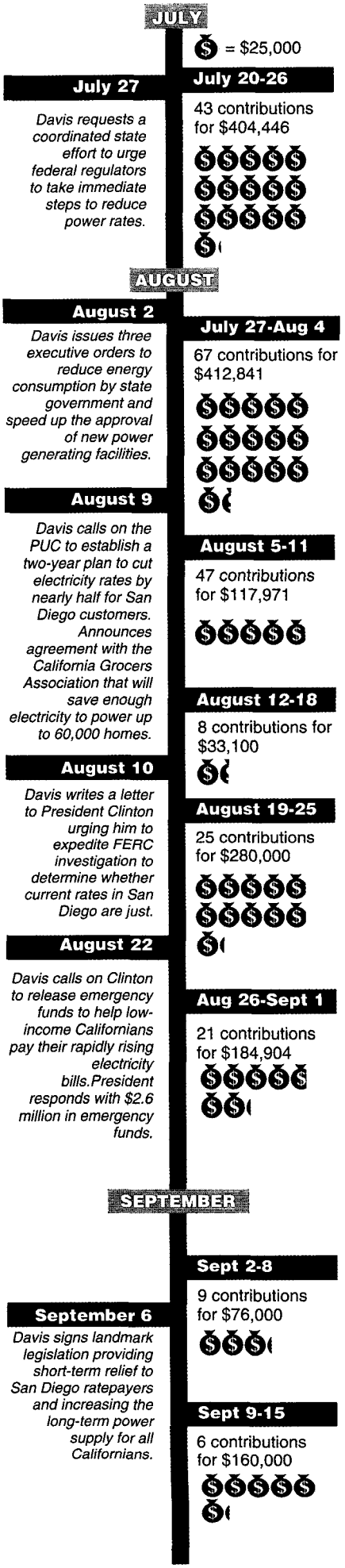
Davis' fixation on the bottom line has raised pointed concerns among campaign finance watchdogs and Capitol observers. With that much money flowing into his coffers, who's to say that donors aren't motivated by the belief that a) they have to write a check to be a player and b) Davis may do them a favor in return? Critics of the governor have drawn pessimistic conclusions in a number of "connect-the-dot" cases. So far, none have proven politically devastating to Davis, but they do continue to stack up in number. Consider:

• The Palm Springs fund-raising luncheon at a golf course and country club occurred on March 23, a day when Davis' leadership was needed to break a deadlock on a bill to assist small electricity generators. The host of the luncheon was the California Healthcare Association, a hospital lobbying group that has been a loyal Davis backer. That same day, the Public Utilities Commission exempted hospitals from rolling blackouts, an action that, while commendable, was noted by critics for its timing.

• Davis' opposition last year of a pioneering bill to end clear-cutting in California forests came after a July 2000 fund-raiser held by the California Forestry Association. Eleven lumber companies, including Simpson Timber Co., Sierra Forest Products and Pacific Lumber chipped in about $4,500 to stage the event, which raised at least $67,000 for the governor's re-election bid.

• Davis' flip-flop on a bill to allow development that Redlands' city leaders opposed in an unincorporated area surrounded by the city. First, in 1999, he vetoed the bill — saying it concerned a local matter that should be resolved by local officials – and then, in 2000, he signed the legislation, after receiving tens of thousands of dollars in developer contributions. In all, the developer and his affiliated interests gave the Davis campaign $126,331. (See graphic, page 16.)

The list of anecdotes stretches on, leaving lingering questions in its wake: Could the phenomenon be a product of sheer volume? With such a vast number of checks being written, is the appearance of impropriety now and then inevitable? Or does Davis actually orchestrate the timing of his gov-


JULY
$ = $25,000
July 27
Davis requests a coordinated state effort to urge federal regulators to take immediate steps to reduce power rates.
July 20-26
43 contributions for $404,446
AUGUST
August 2
Davis issues three executive orders to reduce energy consumption by state government and speed up the approval of new power generating facilities.
July 27-Aug 4
67 contributions for $412,841
August 9
Davis calls on the PUC to establish a two-year plan to cut electricity rates by nearly half for San Diego customers. Announces agreement with the California Grocers Association that will save enough electricity to power up to 60,000 homes.
August 5-11
47 contributions for $117,971
August 10
Davis writes a letter to President Clinton urging him to expedite FERC investigation to determine whether current rates in San Diego are just.
August 12-18
8 contributions for $33,100
August 22
Davis calls on Clinton to release emergency funds to help low-income Californians pay their rapidly rising electricity bills. President responds with $2.6 million in emergency funds.
August 19-25
25 contributions for $280,000
Aug 26-Sept 1
21 contributions for $184,904
SEPTEMBER
September 6
Davis signs landmark legislation providing short-term relief to San Diego ratepayers and increasing the long-term power supply for all Californians.
Sept 2-8
9 contributions for $76,000
Sept 9-15
6 contributions for $160,000

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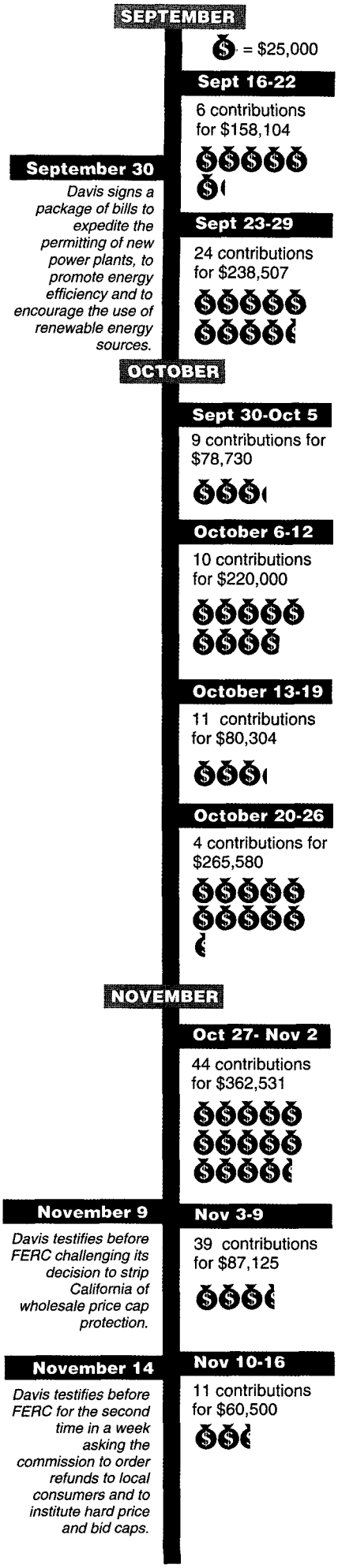
SEPTEMBER
$ = $25,000
Sept 16-22
6 contributions for $158,104
September 30
Davis signs a package of bills to expedite the permitting of new power plants, to promote energy efficiency and to encourage the use of renewable energy sources.
Sept 23-29
24 contributions for $238,507
OCTOBER
Sept 30-Oct 5
9 contributions for $78,730
October 6-12
10 contributions for $220,000
October 13-19
11 contributions for $80,304
October 20-26
4 contributions for $265,580
NOVEMBER
Oct 27- Nov 2
44 contributions for $362,531
November 9
Davis testifies before FERC challenging its decision to strip California of wholesale price cap protection.
Nov 3-9
39 contributions for $87,125
November 14
Davis testifies before FERC for the second time in a week asking the commission to order refunds to local consumers and to institute hard price and bid caps.
Nov 10-16
11 contributions for $60,500

erning to maximize his fund-raising? Or, vice versa?

One thing is certain: Davis, whose home-ownership consists of a 1,100-square-foot condo in West Hollywood, does not appear to have enriched himself or his wife, Sharon, personally with the money. That's not to say they don't at times reap some of the perquisites of rubbing shoulders with fabulously wealthy political benefactors – the "getting to know you" weekend in Lake Tahoe with David Shimmon of U.S. Filter Co., the Staples Center luxury-box fund-raising soiree on the night of the Grammy Awards, or yet another Staples Center upscale fund-raiser on the occasion of Barbra Streisand's farewell concert tour.

Measuring self-worth?

So, what is it that makes Davis so good at nailing dollars from donors? Theories and speculation abound, of course, some of it not so nice. In a political town like Sacramento, many are jealous of Davis' success. Some glibly persist in speculating about trade-offs in exchange for financial backing. Others say Davis' coffers prosper because of a discipline and drive that is rare among officeholders. Some close observers say Davis, who experienced a rocky childhood in a household with an alcoholic father and a demanding mother, sees in a campaign balance sheet an otherwise elusive, quantifiable measure of self-worth.

Garry South, the governor's chief political adviser and a seasoned veteran of fund-raising in five states and Washington, D.C., did not return calls on this article. But he offered revealing insights as an expert witness in federal court last year in the trial of Proposition 208. The ballot measure, overturned by both major political parties, had capped political donations from individuals at $1,000, an amount that South argued made it impossible to raise enough money to buy air time in California's 15 media markets.

South described his client as "someone who has developed a fund-raising base over a period of literally 20 years by the time we went into the gubernatorial cycle. This was not a first-timer. This was not a neophyte." South's point was that, if Gray Davis was having trouble raising enough money under Proposition 208, imagine the difficulty for a less savvy fund-raiser.

Those who have known Davis for decades say he uses personal time and milestones such as birthdays and anniversaries as opportunities to stay on top of his solicitation goals. Indeed, this past December, with the energy crisis refusing to take a holiday and the governor asking Californians to go easy on the Christmas lights, backers in the entertainment industry threw Davis a lavish $100,000 bash for his 58th birthday. Documents filed with the Secretary of State's office show that Haim Saban, creator of the Mighty Morphin Power Rangers, picked up a $34,114 tab for food, rentals and entertainment, and the Fox Family Worldwide group Saban was heading up kicked in $59,198.

Some Capitol colleagues, such as Senate Minority Leader Jim Brulte (R-Rancho Cucamonga), have been known to openly joke that they've never seen anyone relish the task of asking for contributor's money quite as much as Davis appears to. Some swear it seems to perk him up. Others say that Davis, who has few close friends beyond his wife, uses solicitation calls to keep in touch with acquaintances. But while legislative leaders felt free to rib Davis about his fund-raising focus at a charity roast last year, few will risk his support on legislation by going on the record to criticize him.

A partner in strategy

Perhaps the clearest portrait of Davis working to obtain the money he believes he needs to win is captured in the sworn testimony of South, who describes Davis as an equal partner in making campaign finance decisions. "We would collectively, jointly decide how we disbursed our funds and what our spending goals and limits were," South testified.

Davis is frugal with his private operation of staff and consultants in Los Angeles, South said, insisting, for

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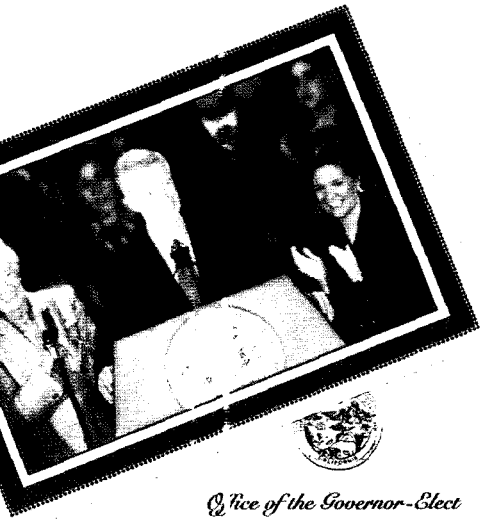

Office of the Governor-Elect

Thank you so much for being a part of our wonderful primary and general election victories, and for helping us bring a new era of positive leadership to California. Without your confidence, support and friendship, we never would have made it.

May God bless you and yours this Holiday Season. We hope 1999 will be as wonderful for your family as 1998 was for ours.

Gray Davis Sharon

"Thank you" card sent to donors.

example, that staff use plain paper instead of letterhead stationery for interoffice memos. As for his formula for success, Davis just plain puts in a lot of hours, playing a "very, very substantial" role, South said. One thing he cannot put in is his own money. "He has no personal wealth of his own," South said. "He lives on his paycheck."

In the following excerpt of South's testimony, California Democratic Party attorney Joe Remcho asks South about the burden that low contribution limits place on candidates. He elicits a picture of Davis working overtime on fund-raising perhaps at the expense of his job as an elected officeholder.

Q: (Remcho) Was there a typical way in which the governor spent, you know, a campaign day?

A: (South) Well, during the time that he was running for governor, he was also lieutenant governor of California. He had official functions to carry out .... But in 1997, particularly from June through December when the Proposition 208 limits were in effect, he was – he was heavily, heavily involved in our attempt to try to raise money. And as I described a few minutes ago, in some cases that could amount to 12-hour days in the office on the phone.

Q: (Remcho) On the phone asking for funds?

A: (South) Asking people for money. Asking people for money or attending events, fund-raising events.

To James Knox, executive director of California Common Cause, who sat in on the U.S. District Court trial in Sacramento, South's depiction begs the question of whether Davis was able to put in a full day for the taxpayers if he was spending eight to 12 hours on the phone. And, if this is how Davis spent his time in his last job, how can taxpayers be sure he is not doing the same now as governor? "This raises a very important question with regard to our governor — whether his fund-raising or his governing is a higher priority," said Knox.

Don Novey, the head of the California Correctional Peace Officers Association, said one difference between Davis and previous governors may be how much of his work day is dedicated to governing vs. fund-raising. "I definitely know the guy puts in his day for the people," Novey said of Davis. "Is his day for the people all day and all night long? I don't know." Novey, whose organization funnelled $206,000 to Davis in 2000 through its annual Governor's Cup Invitational Golf Tournament, said that, by the same token, Davis wins points for his loyal support on issues and attendance at the group's events and conferences. "He was always there. He had the tenacity to show up every time. Fifty percent of politics is just being there and showing support."

Indeed, lately, South has taken to insisting in the press that, these days, all the governor has to do to raise campaign money is show up. The spade-work is perhaps made all the easier by the power and prestige of the office Davis now holds. But show up he must. "Successful fund-raising is not something you can do without the active involvement of the candidate. People expect ... to see the candidate," South testified in the trial. "They expect to have some access to the candidate and the process."

NOVEMBER

$ = $25,000

Nov 17-23

9 contributions for $70,455

$$$

Nov 24-30

7 contributions for $173,500

$$$$$ $$

DECEMBER

December 1

Davis responds to a draft FERC proposal. In a letter, the governor outlines a series of regulatory and legislative actions to keep the state's electricity prices at the lowest reasonable cost.

Dec 1-7

17 contributions for $281,661

$$$$$ $$$$$ $

December 8

Davis calls on Congress to investigate FERC's lifting of wholesale price caps in California and warns he will seek to dismantle the current ISO and reconstitute it with members accountable to Californians.

Dec 8-14

40 contributions for $463,300

$$$$$ $$$$$ $$$$$ $$$$

December 15

Davis asks the attorney general to investigate anti-competitive practices by natural gas suppliers.

Dec 15-21

65 contributions for $723,170

$$$$$ $$$$$ $$$$$ $$$$$ $$$$$ $$$$

December 16

Davis announces a special session of the Legislature and reserves $1 billion in his 2001-02 budget for these purposes: replace the ISO Board with Californians who are more concerned about consumer prices than profits; re-establish state authority to inspect private power plants; provide low-interest financing for new peaking facilities or re-powering old ones to make them cleaner and more efficient in return for committing power to California.

Dec 22-28

31 contributions for $400,500

$$$$$ $$$$$ $$$$$ $

Dec 29-31

6 contributions for $ 130,000

$$$$$ $

Compiled by researcher Katherine Ming. Sources:Governor Gray Davis' "The First Two Years: Midterm Review." California Secretary of State's Office.

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Another apparent bonus for the governor is an exponential growth in his fund-raising base, which South described as "people who have given you money in the past or who you have recently gotten to give you money." Davis' fund-raising base as governor is now at least 40,000-strong, having grown three-fold since 1997, when Davis, the lieutenant governor, had a base of 10,000. Like a garden, this base must be tended and harvested if it is to remain fertile and bountiful. South said as much on the witness stand, noting that "a producing fund-raising base ... requires frequent solicitation."

As a concept, "frequent solicitation" is not lost on his benefactors. Witness a recent communiqué among legal colleagues regarding a $1,000-a-head cocktail reception on April 2 at the Fairmont Hotel in San Francisco: "It is fund-raising time again for our friend Governor Gray Davis!" wrote attorney Jeremiah F. Hallisey. "Solicitation of funds reminds me of the line from Ruthless Rhymes for Heartless Homes!

Auntie did you feel no pain
Falling from that apple tree?
Would you do it, please, again?
Cos my friend here didn't see.
–Henry Graham"

Asked about the ditty, a spokesperson at the Hallisey and Johnson law offices in San Francisco said its meaning is obvious. The boss "likes to put cute little sayings in his letters," she said, "and everyone seems to enjoy them."

Knox of Common Cause is one who strains to see the lighter side of the governor's serial solicitations. He worries that Davis may tailor his stances to enhance his chances of attracting more contributions. "Does his fund-raising dictate the political philosophy of the governor or is it just a happy coincidence?" Knox asked. Davis' centrist position on most policy issues tends to maximize contributions from both sides of the aisle. "All the parties know they are not going to get everything. But they are going to get something," Knox said. "The bottom line is, they know they've got to be in the game."

It's a game for Big Money players exclusively, not for your average California voter. South's courtroom conventional wisdom drives that point home:

Q: (Remcho) There have been suggestions that what a gubernatorial candidate could do ... would be to be more of a presence, to actually get out among the people, to go into places like Modesto or Fresno, whatever, and hold small donor events ...as an opportunity to both raise some funds and ... get out his political message.

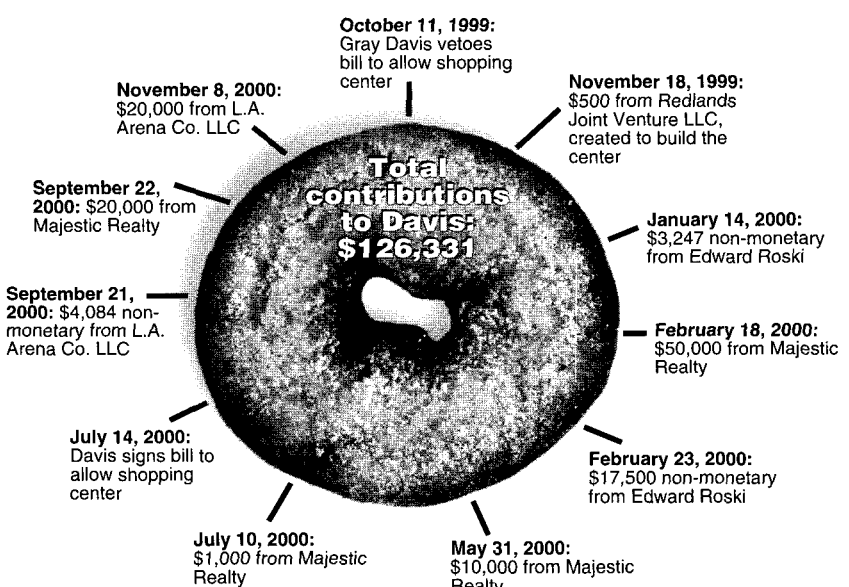
A: (South) ... "'The take' ... you get out of a fund-raising event of that type ... is simply not sufficient over the course of time to aggregate the kinds of funds you need to run for governor of California."

Against this backdrop rests the irony of Davis' obsession: His 1998 victory over his two Democratic primary opponents can be traced to the fact that he was *not* the filthy rich, monied candidate. Yet South testified, "It doesn't do any good to have experience money can't buy if you don't have enough money to convince voters that you have the 'experience money can't buy.'"

Recently, Davis went on television to deliver an unprecedented, five-minute, prime-time address to remind Californians that his decades of experience would prove valuable in saving the state from its electricity crisis. Ticking off the points of his plan, the governor appeared reassuringly steady as he promised viewers he would bring things under control. Then, with the speech over, Davis packed up and headed toward the airport to fly to La Jolla, where another fund-raiser was waiting.

The $126,331 Doughnut Hole

For eight years, developers wanted to build a 50-acre shopping center in Redlands' "doughnut hole," an unincorporated area surrounded by city land. But city leaders did not want another "big-box" discount center like the one Majestic Realty Co. sought to build. So Majestic and its owner, Edward Roski, got a state legislator from outside Redlands to author a bill allowing construction to move forward without the city's approval. In 1999, Governor Gray Davis vetoed the bill, saying it was up to local officials and property owners to work things out. A month later, interests associated with Roski began giving campaign contributions to Davis that totaled $126,331 by November 2000. Davis signed the bill in July of 2000, saying he gave local officials a year to work out a solution and they failed.


October 11, 1999: Gray Davis vetoes bill to allow shopping center
November 18, 1999: $500 from Redlands Joint Venture LLC, created to build the center
January 14, 2000: $3,247 non-monetary from Edward Roski
February 18, 2000: $50,000 from Majestic Realty
February 23, 2000: $17,500 non-monetary from Edward Roski
May 31, 2000: $10,000 from Majestic Realty
July 10, 2000: $1,000 from Majestic Realty
July 14, 2000: Davis signs bill to allow shopping center
September 21, 2000: $4,084 non-monetary from L.A. Arena Co. LLC
September 22, 2000: $20,000 from Majestic Realty
November 8, 2000: $20,000 from L.A. Arena Co. LLC
Total contributions to Davis: $126,331

Source: Secretary of State

Cynthia H. Craft is editor of California Journal. *Comments may be sent to* **edit@statenet.com**.

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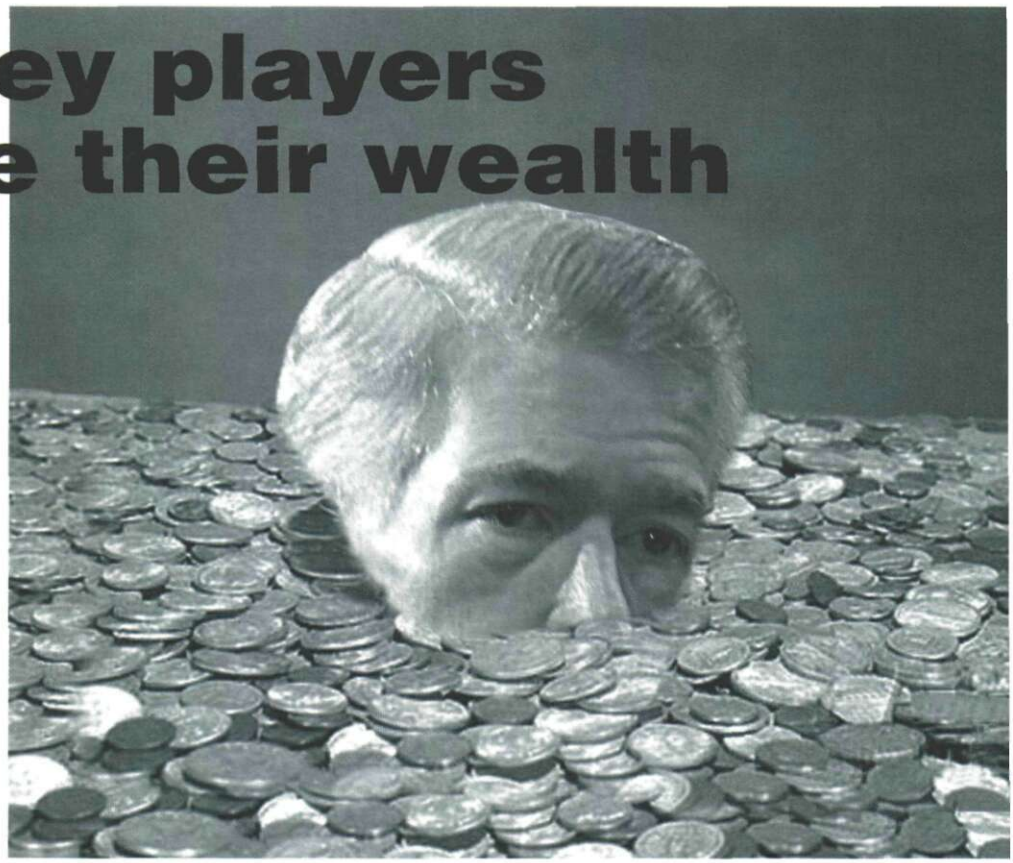
Big-money players share their wealth



A cast of the super-rich and famous take leading roles in Governor Gray Davis' everlasting re-election campaign. On stage, you'll find plenty of Hollywood and Silicon Valley money.

By Melanie Smith

In candid moments, campaign donors acknowledge that big contributions can sometimes buy them a soapbox or access to a politician's ear. And for some really big donors, contributions are part and parcel of a complex web of influence. These monied movers and shakers forge relationships with officeholders, shape campaign strategy, hold fund-raisers, and now and then advise politicians on key issues of the day. The following is a look at some of the deep-pocketed donors to Governor Gray Davis in 2000:

Entertainment industry players topped the list. **Stephen L. Bing**, occasional actor, screenwriter and movie producer, gave the governor $250,000. The millionaire son of wealthy physician Peter Bing, the younger Bing has earned more notoriety as a playboy and love interest to prominent actresses, including Elizabeth Hurley, than as a Hollywood professional. He's a friend of film director **Rob Reiner** and major donor to Reiner's successful Proposition 10, which raised the state's cigarette tax to fund early-childhood development programs. He also gave $1 million last year to the Democratic National Convention's host committee and $200,000 to **Vice President Al Gore's** recount committee, according to The Associated Press.

Also donating $275,000 to Davis was television magnate **Jerry Perenchio**, who produced television sitcoms, including "All in the Family." He bought Univision, the Spanish-language TV station, in 1992. Perenchio is an equal-opportunity donor. He handed GOP **Attorney General Dan Lungren** more than $200,000, Democratic **Congresswoman Jane Harman** $50,000 and **Gray Davis** $125,000 in the 1998 gubernatorial primary. He also put up $1.5 million to try to defeat **Ron Unz's** Proposition 227, which dismantled bilingual education.

Television producer **Haim Saban** gave Davis $100,000 (plus $45,977 in a non-monetary contribution) and also gave a whopping $1.18 million in soft money to Democrats in the 2000 cycle. Founder of Saban Entertainment — producer of the children's TV program "Mighty Morphin Power Rangers" — Saban was also half-owner, with Rupert Murdoch, of Fox Family Worldwide.

Last fall, Saban, along with **Rob Reiner**, grocery magnate **Ron Burkle** (another Davis backer) and Warner Brothers President **Alan Horn**, made headlines hosting a $3.5 million event for the Democratic National Committee, just as candidate Gore chastised Hollywood for producing violent en-

Industry Donors

$121,227
California Business Properties Association PAC
(commercial real estate)

$120,834
California Dental PAC

$77,000
California Ski Industry Association

$75,000
California Trucking Association, Cargo PAC

$69,020
California Cable Television Association

$50,000
Western Manufactured Housing Communities Association PAC

$50,000
California Medical Association PAC

$50,000
California Association of Professional Scientists PAC

Source for all charts: Secretary of State's Office. Donations are to Gray Davis, 2000.

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tertainment. The week before the 2000 general election, Davis praised Saban as "the biggest contributor to congressional Democrats in America" at a star-studded fund-raiser held at Saban's home for **Congressman Cal Dooley** (D-Hanford), according to *White House Weekly*. And the *Washington Post* reports that Saban, who was an adviser to the Clinton White House on trade issues, attended a strategy session with **House Minority Leader Dick Gephardt**, actor **Warren Beatty** and producer **Norman Lear** at **Barbra Streisand's** home just prior to her April memo to congressional Democrats chastising them for not standing up to Republicans. The *Post* also reports that Saban told Gephardt he wanted to be the top contributor to the Democratic Congressional Campaign Committee, and when he learned that someone gave $250,000 more than he did, Saban sent Gephardt another $250,000 check with a $1 bill attached.

Some of Silicon Valley's players also have added generously to the Davis war chest. Silicon Valley semiconductor mogul **David Shimmon** gave $225,000 to Davis last year, along with $250,000 to state Treasurer **Phil Angelides.** Shimmon says he grew up around Democratic politics and campaigns. According to the *Los Angeles Times,* Shimmon's fortune soared to $100 million when the microelectronics services company he headed, Kinetics Group, merged with United States Filter Corp. Shimmon met Angelides at a fund-raiser for **President Clinton** and became his friend and adviser. He told *the Los Angeles Times* he decided to back Gray Davis after spending a weekend with him in Lake Tahoe. "We had a couple of dinners together and really just spent time getting to know each other," said Shimmon.

Global Crossing founder **Gary Winnick**, a $100,000 donor, is a former associate of ex-junk-bond king **Michael Milken.** Winnick later headed up investment bank Pacific Capital in Beverly Hills. He made his fortune after buying AT&T's undersea fiber-optic cable-laying business on the cheap and then selling the bandwidth. Winnick and his wife, children's book author Karen Winnick, gave $1 million to a project pairing aspiring teachers with kids needing tutoring.

Another top high-tech donor is **Michele Costello,** who contributed $100,000, along with $4,000 in nonmonetary contributions. She is the wife of **Joseph B. Costello,** CEO of think3 Inc., a 3-D software design firm. Costello has served as acting vice president of the Santa Clara County chapter of the Million Mom March. Her husband formerly headed Cadence Design Systems Inc. and worked briefly for Michael Milken at Knowledge Universe. The Costellos also donated $175,000 to the Democratic National Committee.

Eli Broad, believed to be the richest Angeleno, chipped in $100,000 to Davis last year. The billionaire businessman is a top donor to the national Democratic Party. He's founder of Southern California-based Kaufman & Broad Home Corp. (now KB Homes) and recently retired as chairman of retirement savings company SunAmerica Inc. In 1999, *Forbes* magazine called him one of a new breed of "venture philanthropists" after he started The Broad Foundation to train public school staff in management of large urban school systems. A pal of Mayor Richard Riordan, Broad cochaired and gave $1 million to help fund the 2000 Democratic National Convention in Los Angeles. A staunch supporter of gun control, Broad has Davis' ear on the topic.

Melanie Smith is associate editor of California Journal. *Comments may be sent to* **edit@statenet.com**.

Corporate Donors

$301,471
AT&T
(telecommunications)

$145,000
Chevron
(oil)

$125,000
Fireman's Fund
(insurance)

$100,000
Yucaipa Companies LLC
(grocery conglomerate, Ron Burkle)

$100,000
Saban Entertainment Inc.
(television production)

$100,000
Pacific Telesis Group
(telecommunications)

$100,000
Kings Arco Arena
(sports)

Native American tribe Donors

$56,023
Cabazon Band of Mission Indians

$55,000
Rumsey Rancheria PAC

$50,000
Agua Caliente Band of Cahuilla Indians

$50,000
Morongo Band of Mission Indians

$25,000
Jackson Rancheria Development Account

Labor Donors

$150,000
Political Action for Classified Employees of California School Employees Association

$100,000
American Federation of State, County & Municipal Employees AFL-CIO

$100,000
Service Employees International Union PEA International-US

$66,000
Professional Engineers in California Government PAC

$54,000
California State Council of Laborers PAC

$53,000
California Association of Highway Patrolmen PAC

$50,000
California Teachers Association for Better Citizens

$50,000
California State Employees Association Member Action Committee

$50,000
Hotel Employees & Restaurant Employees International Union, T.I.P Education Fund

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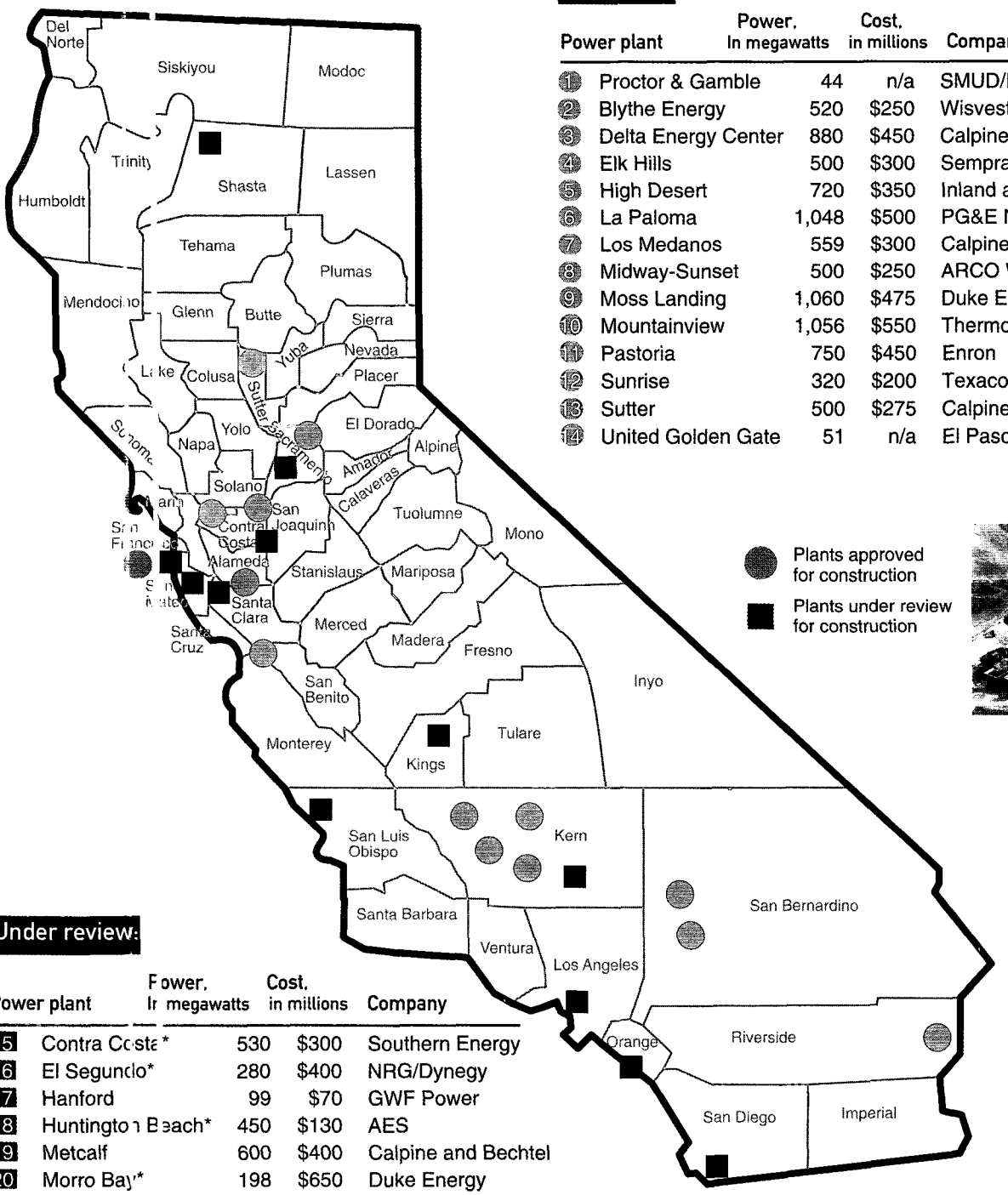
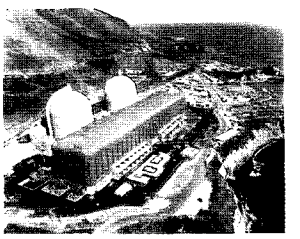
Revving up

By 2003, 14 new power plants, providing 8,508 megawatts of power, are expected to be completed, helping ease the state's energy woes. Another 12 plants, totaling an additional 5,087 megawatts, are under review.



Plants approved for construction

Plants under review for construction



Approved:

	Power plant	Power, in megawatts	Cost, in millions	Company
1	Proctor & Gamble	44	n/a	SMUD/Proctor & Gamble
2	Blythe Energy	520	$250	Wisvest
3	Delta Energy Center	880	$450	Calpine and Bechtel
4	Elk Hills	500	$300	Sempra/OXY
5	High Desert	720	$350	Inland and Constellation
6	La Paloma	1,048	$500	PG&E Nat'l Energy
7	Los Medanos	559	$300	Calpine
8	Midway-Sunset	500	$250	ARCO Western Energy
9	Moss Landing	1,060	$475	Duke Energy
10	Mountainview	1,056	$550	Thermo Ecotek
11	Pastoria	750	$450	Enron
12	Sunrise	320	$200	Texaco Global Gas
13	Sutter	500	$275	Calpine
14	United Golden Gate	51	n/a	El Paso Merchant Energy

Under review:

	Power plant	Power, in megawatts	Cost, in millions	Company
15	Contra Costa*	530	$300	Southern Energy
16	El Segundo*	280	$400	NRG/Dynegy
17	Hanford	99	$70	GWF Power
18	Huntington Beach*	450	$130	AES
19	Metcalf	600	$400	Calpine and Bechtel
20	Morro Bay*	198	$650	Duke Energy
21	Otay Mesa	510	$350	PG&E Nat'l Energy
22	Pastoria*	250	$250	Enron
23	Potrero*	540	$300	Southern
24	Rio Linda	560	n/a	Florida Power & Light
25	Three Mountain	500	$300	Ogden Pacific Power
26	United Golden Gate	570	$300	El Paso Energy

*Projects that involve expanding, replacing or repowering an existing plant

Source: California Energy Commission

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Commentary:

How money and politics are shortchanging California's energy future

The huge amounts of campaign money invested in the political campaigns of Governor Gray Davis and members of the California Legislature are having an impact on legislative solutions to today's out-of-control energy crisis.

By Peter Asmus

Editor's Note: This analysis originated from a report issued in April by Common Cause and was condensed for California Journal.

For months, Governor Gray Davis and state lawmakers have made it their top priority to save Pacific Gas & Electric (PG&E) and Edison International (the parent company of Southern California Edison) from going bankrupt.

The folly of this single-minded focus on saving these private utilities from going under became evident on April 6 when PG&E pulled the plug and declared bankruptcy. Davis condemned the move as a sign of "denial and greed." Yet, that new wrinkle in the unfolding drama of California's energy crisis raised fresh questions about why Davis was still at the negotiating table with Edison, while PG&E was walking out the door.

More important, it revealed the fallacy of Davis' preoccupation with maintaining the financial health of the state's two large investor-owned utilities (IOUs). Months of negotiations and billions of dollars in taxpayer funds still haven't solved the fundamental problem of increasing supply to meet demand.

The only immediate outcome evident in PG&E's filing of Chapter 11 bankruptcy is that rates will likely go up even higher than the 40 percent increase already approved by the California Public Utilities Commission (PUC). These unfolding events revealed a stark contrast between Davis'

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Waving to the troops at Calpine's new energy plant in Yuba City.

These investor-owned utilities are very thorough in where they invest their political capital. Every legislator but one received campaign contributions from the three utilities.

rhetoric about holding the line on rates — in order to maintain his approval ratings in public polls – and his desire to respond to pleas for help from two of his most loyal campaign contributors: PG&E and Edison.

Big dogs eat first

Those two utilities, along with the state's third investor-owned utility, San Diego Gas & Electric Company (known as SEMPRA), contributed nearly $4.2 million in campaign contributions to statewide officeholders, legislators, political parties and ballot measures in 1999-2000, plus another $5.9 million in lobbying activities, according to research by Common Cause. At the federal level, they contributed more than $2 million in campaign contributions and more than $5 million in lobbying expenditures. All told, the three utilities invested roughly $16.5 million in campaign contributions and lobbying at the state and federal level over a two-year period. These totals do not include contributions made this year after the energy crisis heated up and the Legislature and the governor began grappling with all the competing interests over a solution.

The top recipient in the California Legislature was Senate President pro Tempore John Burton (D-San Francisco), who received $172,146 in campaign contributions from investor-owned utilities.

These utilities are very thorough in where they invest their political capital. Every legislator but one — Assemblywoman Gloria Negrete McLeod (D-Chino)— received campaign contributions from the three utilities. Eleven received more than $50,000 apiece. PG&E gave the single-largest campaign donation to an individual candidate: $86,521 to Burton. Edison's top target was Assembly Speaker Robert Hertzberg (D-Sherman Oaks), who received $66,666. The top Republican recipient was Senate GOP leader Jim Brulte (R-Rancho Cucamonga), the GOP's chief architect of AB 1890, the electricity deregulation bill, who picked up $50,300 in campaign contributions from Edison. In the same time period, State Senator Steve Peace (D-Chula Vista), the Democrats' main driver on the deregulation bill, picked up a total of $125,020.

Legislators say political contributions from these utilities have no impact on their decisions. Efforts to keep PG&E and Edison from slipping into bankruptcy were based on sound policy principles — not the influence of campaign dough, according to Senator Debra Bowen (D-Marina del Rey), chairwoman of the Senate energy committee. "We're not talking about protecting the shareholders of Edison or PG&E. We're talking about what's in the best interest of California citizens and minimizing the risks of massive increases."

Meanwhile, estimates of the taxpayer bill for the energy crisis solutions enacted thus far by the Legislature and the Davis administration hover around $70 billion. Furthermore, those solutions lock Californians into power purchases from out-of-state companies peddling high-priced, fos-

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sil-fuel-generated electricity for years to come.

This handful of wholesale power generators and marketers — the so-called "new kids on the block" — are reaping rich profits. PG&E, Edison and San Diego Gas & Electric (SDG&E) clearly continue to dominate the political process in Sacramento. But in Washington, D.C., Enron, Reliant, Dynegy and El Paso Natural Gas all hail from Texas and have the ear of the president.

Enron has long been George W. Bush's most faithful political backer. "I do have a good personal relationship with the new president," said Enron CEO Kenneth Lay, who has personally doled out $350,000 to Bush's recent political campaigns, according to the Center for Public Integrity. Enron, as well as Lay, each gave $100,000 to help Bush pay for inaugural events, as did Enron President Jeffrey Skilling and Reliant CEO Steve Letbetter.

The federal government's hands-off approach to California's energy crisis could be linked to the desires of these large campaign contributors to bolster their bottom lines. The California Independent System Operator has estimated that overcharges by these producers and marketers exceed $6 billion. A class-action lawsuit in California has been filed by trial lawyer Michael Aguirre, claiming that five electricity generating and wholesale marketing companies — Duke Energy Marketing and Trading, Dynegy Power Marketing, Reliant Energy Services, Mirant Co. (formerly Southern Company Marketing Co.) and Williams Energy Marketing and Trading Co. — violated federal law by manipulating energy markets to reap record profits.

Even the Federal Energy Regulatory Commission (FERC), which has been highly reluctant to intervene in California's energy supply crisis, has launched investigations into power purchase transactions by these same five firms, and others, that occurred in January and February. Though the total amount of fines is small — $124 million — it is significant that the FERC, dominated by free-market Republicans, is questioning the bidding and operations behavior of these companies.

Private generators are just beginning to compete with private utilities for the allegiance of state politicians. In August 1999, the Independent Energy Producers Association (IEP) urged its members to invest more in the political process in order to compete with investor-owned utilities in the California Legislature. Subsequently, IEP lobbying expenditures jumped from zero in the 1997-1998 legislative session to $329,336 in 1999-2000.

These large producers and marketers did not let their traditionally Republican ideology guide their political spending. They gave 75 percent of their campaign contributions to Democrats, illustrating that they are no dummies when it comes to playing the contribution game in Sacramento. Since most were Johnny-come-latelies to campaign giving, they focused their funds on Davis, who received more than a fifth of their total campaign contributions.

Davis the big winner

Davis has been the focal point of generosity from both investor-owned utilities and private, wholesale energy producers and marketers. His most loyal backer within the energy business is Edison, which contributed at least $350,000 in the last two election cycles (compared with approximately $190,000 he received from PG&E). That disparity has raised questions about the differing paths the two have taken in response to the energy crisis: while PG&E declared bankruptcy, Edison chose to sell its transmission lines to the state, the governor's preferred path.

The only producer to come close to these private utility totals is Enron, which came in third place (ahead of SDG&E) with more than $100,000 in campaign contributions during the last two election cycles. However, Enron, Calpine, Reliant, Duke, Williams, Dynegy and El Paso Energy Corp. each gave Davis at least $10,000 in the 1999-2000 election cycle. Most of these campaign contributions were deliv-

Top Ten Recipients of Contributions by Energy Producers and Marketers, 1999-2000

Dist.	RECIPIENT	Calpine	Duke	Dynegy	Enron	Reliant	Southern Energy	William Companies	Big Seven Total	Others Total	Grand Total
GOV	Davis, Gray	$21,500	$10,000	$10,000	$22,000	$10,000	$0	$10,000	$83,500	$95,010	$178,510
SD 03	Burton, John	$19,000	$2,000	$11,000	$12,500	$9,000	$19,000	$0	$72,500	$9,400	$81,900
AD 40	Hertzberg, Bob	$22,500	$0	$6,500	$10,000	$11,000	$5,000	$1,000	$56,000	$1,000	$57,000
AD 80	Battin, Jim	$5,000	$2,500	$5,000	$1,750	$2,500	$0	$0	$16,750	$20,000	$36,750
AD 49	Wright, Rod	$7,500	$2,000	$5,000	$8,000	$0	$0	$1,000	$23,500	$13,021	$36,521
SD 40	Peace, Steve	$0	$25,000	$0	$3,000	$0	$0	$0	$28,000	$1,000	$29,000
AD 17	Machado, Mike	$5,500	$2,500	$6,000	$4,000	$6,500	$0	$0	$24,500	$0	$24,500
AD 34	Olberg, Keith	$0	$0	$0	$4,000	$150	$0	$0	$4,150	$18,875	$23,025
CNTRL	Connell, Kathleen	$0	$0	$0	$0	$0	$0	$0	$0	$22,000	$22,000
AD 39	Cardenas, Tony	$6,000			$1,500				$7,500	$12,500	$20,000

Source: Common Cause

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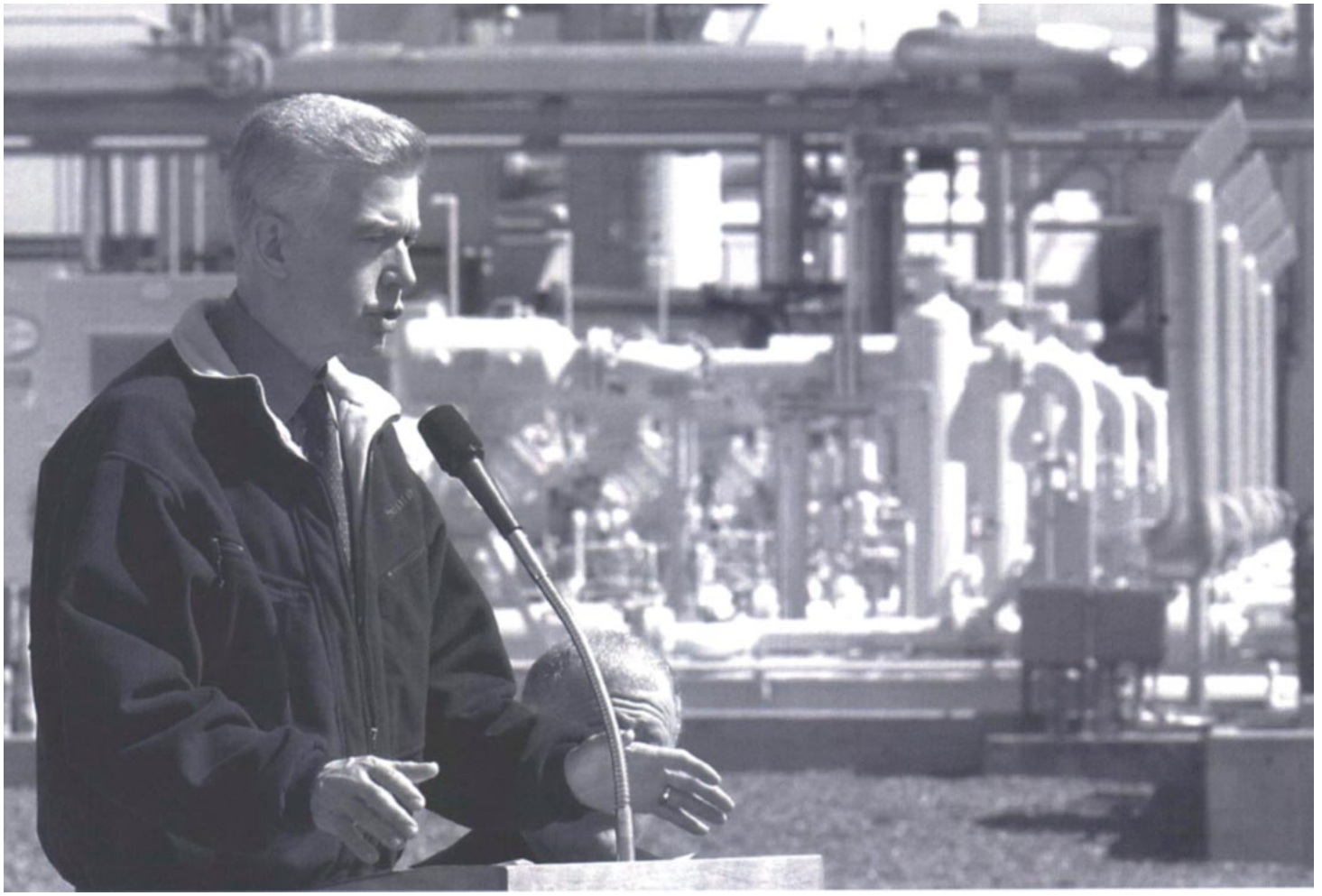

The governor during a recent visit to SMUD's peaker plant in Sacramento.

ered at the end of the summer when wholesale electricity prices began to skyrocket and profiteering by these firms first became an issue. Also in late summer, the IEP hosted a major fundraiser for Davis.

All told, investor-owned utilites gave Davis $348, 022 in the last election cycle; private generators gave him at least $260, 000.

The governor not only received campaign contributions from Edison, but relied on consultants with deep ties to Edison to help write his policy responses to the crisis.

Among those hired by Davis to advise him are Vikram Budhraja, a former senior SCE vice president, and Michael Peevey, a former SCE president. "Budhraja's role is something that merits investigation by the Fair Political Practices Commission," commented Fredric Woocher, a Santa Monica attorney working on behalf of The Utility Reform Network. "It is flat-out inappropriate to use a current Edison consultant as your co-leader in these negotiations," added Douglas Heller with the Foundation for Taxpayer and Consumer Rights.

Davis spokesman Steve Maviglio denied there was any conflict. "We tried to find the best people we could to negotiate deals for the state," he said.

Examples of utility influence

Since restructuring, the utilities' performance on promoting energy conservation has been less than stellar. More than $200 million collected from ratepayers for energy conservation programs remains unspent. The California Energy Commission projects that if energy efficiency programs managed and designed by investor-owned utilities had retained the momentum of the early 1990s, there would have been no January blackouts.

A March 2000 report by the Rand Corporation estimated that, on average, low-income households spend eight percent of their income on electricity, compared with two percent of a median-income household. In very poor households, 23 percent of household income may be spent on electricity.

According to utility filings, there was $44.4 million in unspent electricity and natural gas funds for low-income energy efficiency programs administered by PG&E in 2000 (in addition to another $8.4 million they chose not to spend this year.) SCE and SDG&E filed testimony opposing a proposal to expand energy efficiency programs for low-income populations until a needs assessment is completed. That assessment was authorized in 1996, but has yet to be started.

Another tribute to the clout of investor-owned utilities is SB 5X by state Senator Byron Sher (D-Palo Alto), the prime vehicle for new state investments in conservation. Much of the $700 million in funding earmarked in this bill would still flow through these same utilities, despite their poor record on spending and promoting energy conservation programs.

Another example of utility influ-

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Top Recipients of Contributions by Investor-owned Utilities

	Recipient	PG&E Total	Edison Total	SEMPRA Total	Utility Total
GOV	Davis, Gray	$155,259	$126,000	$66,763	$348,022
SD 03	Burton, John	$86,521	$46,000	$39,625	$172,146
AD 40	Hertzberg, Robert	$64,333	$66,666	$34,333	$165,332
AD 67	Baugh, Scott	$61,500	$55,500	$13,538	$130,538
SD 40	Peace, Steve	$29,000	$55,520	$40,500	$125,020
SD 31	Brulte, Jim	$35,500	$50,300	$26,000	$111,800
AD 48	Wright, Rod	$28,000	$34,000	$23,000	$85,000
AD 45	Villaraigosa, Antonio	$22,000	$43,500	$7,000	$72,500
SD 35	Johnson, Ross	$26,000	$31,000	$5,350	$62,350
AG	Lockyer, Bill	$29,059	$13,500	$16,500	$59,059

Source: Common Cause, 1999-2000

ence on lawmakers involves solar energy. One of the prime incentives for California residential consumers to invest in solar photovoltaic systems is current state law that allows them to sell excess electricity they can't consume back to the utility grid at attractive retail rates. These sales are commonly referred to as "net metering" because the meter literally runs backwards when one sells solar power back to the utility.

Currently, this opportunity has been restricted to solar power systems of 10 kilowatts in size or less. AB 29X by Assemblyman Christine Kehoe (D-San Diego) would raise eligibility for systems up to 100 times as large, creating incentives for large-scale solar systems on the rooftops of businesses and homes. The bill also would end a current ban that limits Californians to selling no more than 50 megawatts of backyard- or rooftop-generated electricity back to the utilities. The bill also eliminates standby charges that can add up to $7,000 assessed against a solar system 100 kilowatts in size.

But those provisions were opposed by PG&E and SCG&E, who succeeded in having the bill sunset in 2002.

Partisan paralysis

"Nobody in the Legislature is standing up for what's right because they don't want to give up campaign contributions," said Harry Snyder, a long-time Consumers Union small ratepayer advocate. Part of the gridlock in Sacramento, no doubt, also stems from the reality that energy policy does not fit neatly within the partisan politics that typically dominate legislative deliberations in the Capitol.

Though Democrats tend to side with small consumers and environmentalists, they also tend to link up with labor and private utilities. Republicans tend to favor large energy consumers, but also support private power producers, many of which originally helped foster innovation by increasing the state's supply of renewable energy, but which now include bigger companies burning fossil fuels and driving the state to the brink of financial catastrophe.

The principal change under way today in energy politics is the growing role of independent generators, particularly the so-called "new kids on the block." Some private generators, particularly those that rely on renewable energy fuels, continue to serve the public interest. Other large wholesale producers and companies that purchased utility fossil fuel assets, firms such as Duke, Reliant and Dynegy, now exercise the type of market power once commanded by utility monopolies. Clearly, this latter group of power producers may not serve anyone but their own corporate bottom lines.

Money may be the mother's milk of politics. But the political investments of big power players are shortchanging California's energy future, setting the stage for an unprecedented environmental and economic meltdown.

Peter Asmus is author of Reaping The Wind *and* Reinventing Electric Utilities, *both published by Island Press. This article is excerpted from a report, "Wiring the Capitol: Power Industry Political Spending Fuels Energy Crisis," by California Common Cause. Research assistance was provided by Brian Tanner. Comments may be sent to* **edit@statenet.com.**

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Psst! Take a peek.

Time was when politics was one of those taboo topics. You didn't ask your neighbors about their religion, their private lives or their political persuasions, in particular their campaign contributions. It was a private thing. Not any more.

By Claudia Buck

It's like being a political peeping Tom.

Want to know which of your neighbors donated to Hillary's Senate campaign? Curious about who doled out the dollars to George W?

It's all there, hanging on the laundry line, so to speak. At one of the more aptly named Internet sites around, "www.opensecrets.org" takes politics out of the closet. Run by the Center for Responsive Politics in Washington, D.C., the site bills itself as "Your Guide to Money in American Elections."

It has plenty of straightforward reporting on the links between public policy and campaign giving. But one of its more politically salacious aspects is that it posts every contribution of $200 or more to federal candidates, PACS and political parties. By anyone in any state. By zip code.

And it's all so easy. "Get Local!" shouts the headline that directs you to type in your own zip code. (More like "Get nosey!")

In essence, opensecrets.org lets you into your neighbor's checkbook, prying open the lid on their political giving. Sort of the next best thing to a political cheap thrill.

It's not that this is anything terribly new. Campaign contributions have long been public records, but they weren't usually quite so accessible. Just a few years ago, to find out who gave how much to whom in California, you had to drive down to the Secretary of State's office and pore over pounds of pages, sometimes in the hundreds, listing an individual candidate's contributions. In case of a big money-hauler like Governor Gray Davis, those pages could number into the thousands.

But that was so yesterday.

To see how it works, let's take my neighborhood, a political hotbed if there ever was one, given its close proximity to the state Capitol.

The 95818 zip code runs the political gamut, home to California's Democratic state treasurer Phil Angelides, as well as GOP strategist and political consultant Ray McNally. From Ward Connerly, the anti-affirmative action activist, to Tina Thomas, attorney and Democratic fund-raiser extraordinaire.

As you'd expect in a politically active neighborhood, 95818's giving for the 2000 election cycle is above the norm: At $107,367, it's nearly three times higher than the average California zip code donations of $37,253.

The givers include some former lawmakers (Assemblyman-turned-lobbyist Phil Isenberg), some former candidates (Frances Gracechild and Julie Padilla) and some political gentry (Angelides, who gave —surprise — to the Democratic National Committee).

The neighborhood's politically generous often appear in Democratic pairs: Isenberg and his wife, Marilyn, gave a total of $6,350; California Medical Association lobbyist Steve Thompson and his wife, attorney Nancy Miller, forked over $5,700; attorney Tina Thomas and her lawyer husband, Bill Abbott, contributed $4,150 — all to Democratic causes.

Opensecrets.org is big on Top Ten-type sorting. There's the list of top contributors, based on single donations, with honors for the biggest single-contribution donor going to McNally, who gave $2,000 to the California Republican Party, presumably to keep himself in business.

Among candidates, the zip code's top recipient was U.S. Senator Dianne Feinstein, a Democrat. When it came to presidential coffers, the 'hood went Republican. George W. Bush was the top presidential gett-ee, picking up $6,500 from 95818, compared to Al Gore's $5,250. Apparently, the neighborhood could use some greening up: Ralph Nader didn't appear anywhere on the list but conservative Alan Keyes did: one lonely donation of $250.

The neighborhood's top dog, in terms of the largest

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Illustration by Paul Lachine

number of donations, is Hubert D. Riley, partner in the lobbying firm of Cartwright & Riley, who gave 15 donations totaling $11,500 to Democrats, from California's newest congressman, Mike Honda, to Congressman Patrick J. Kennedy of Rhode Island. Giving to Democrats comes naturally to Riley; he's the son of former South Carolina Governor Richard Riley, secretary of education in the Clinton administration.

Among other notables: Steve Maviglio, the governor's press secretary who lives near the Capitol, was listed for a single contribution: $500 to New Jersey Congressman Rush D. Holt, his former boss.

Mosemarie Boyd, a Land Park resident, was down for nine cash and in-kind contributions totaling nearly $3,000 to American Women Presidents. Boyd, it turns out, is founder of American Women Presidents, which promotes getting a female elected to the presidency and vice-presidency. She also happens to be running for governor herself (see Upfront).

Obviously, some would prefer to not have this information blabbed all over town, much less the neighborhood. Allen Hall, an insurance actuary, hit the Top Ten list of individual donors, based on his separate $1,000 donations to GOP former Congressman Richard Pombo of Tracy and Congressman Rick Lazio in New York, who ran for U.S. Senate against Hillary Clinton.

Hall was one of 95818's more prolific contributors, toting up $6,700 to GOP candidates. Reached at his office, Hall acknowledged curtly that yes, he'd heard of the Web site, then said he had nothing more to say and hung up.

Others aren't so reticent. McNally had no idea that opensecrets.org existed but thought the concept was swell. "If you want to clean up politics, you need immediate disclosure: who gave how much to whom. And that's what this is."

But disclosure has its price. McNally sheepishly noted the sole donation of his wife, Janis, on the list: $500 to Democrat Feinstein. McNally said his wife, a registered Republican, was so incensed over GOP Congressman Tom Campbell's call to legalize drugs during his U.S. Senate campaign last year that she fired off a campaign check to his opponent, Feinstein.

But opensecrets.org is not all cheap voyeurism. Supported by grants from private foundations (the center accepts no business or labor contributions), the site offers a wealth of data on political donations. It also posts a quarterly, online newsletter, "Capital Eye," which tackles money-in-politics stories, such as the use of donated corporate jets by political candidates. And it takes a regular look at pending congressional legislation – alongside the special interests weighing in with campaign dollars.

It's all too fun. And if you want to spread the word on political snooping, opensecrets.org has the perfect means: for $2, you can buy their green, color-of-money bumper sticker: "Who's Paying for this Election?"

Now you'll know the answer.

Claudia Buck is managing editor of California Journal. *Comments may be sent to* **edit@statenet.com.**

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The comeback

It was a life-altering attack that could have ended in tragedy. While reading alone at the dining room table in her Los Angeles home, then-Secretary of State March Fong Eu became the victim of a vicious home-invasion robbery — an assualt that left her emotionally and physically shaken. But it was the manner in which she survived that was revealing.

After a week's stay in the hospital, Eu returned home in November 1986 to help with the criminal investigation. Flanked by staff and a police investigator, she sat at the same table where the intruder had grabbed and beaten her with the blunt end of an axe. She spoke calmly while describing how the assailant delivered blows that broke several ribs and severely injured her left ear. She even pointed out where her attacker dragged her by the hair from room to room, searching for money.

At 79, March Fong Eu becomes one of California's oldest campaigners in her once-again bid for secretary of state, the post she left seven years ago. Emerging from retirement, Eu is armed with enviable name I.D., a largely impeccable record, and a reputation for breaking political barriers during her decades in public office. Will it be enough?

By Emelyn Rodriguez

Those who were with her that day 15 years ago were amazed at how composed Eu appeared. "I really admired how she handled the whole situation," said Caren Daniels-Meade, Eu's former media director. "She didn't harbor any deep animosity for her attacker. She didn't want to curl up and hide. Her attitude was, 'It's over and I'm going to make the most of my future.'"

The episode, friends say, offers a window into what keeps Eu going in the face of adversity. While recovering from her injuries, she turned what could have been a career-ending event into a crime-fighting crusade by conceiving a ballot initiative, dubbed "Dimes Against Crimes," to raise liquor taxes to fund more police officers on the streets. Although the proposal failed to qualify for the ballot, it succeeded in shifting attention away from the attack. She became the crusader, not the victim.

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kid

Illustration by Sandra Hoover

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From her hard-scrabble childhood to her barrier-breaking rise in the political world, the resilient 79-year-old Eu has proven that – in life, as well as in politics – she's a survivor.

Now she faces another challenge with her campaign to win back the Secretary of State's Office, a post she held for nearly two decades before giving it up in 1994 to become U.S. ambassador to Micronesia. Eu will likely face a crowded field of younger, termed-out politicians in the Democratic primary and fierce competition for precious campaign dollars.

Perhaps it was no accident that in announcing her candidacy in March, she used an axe – the symbol of a potentially crippling blow to her life's ambitions – to strike new life into a dormant political career.

Standing on the Capitol steps, she smashed a blue, plastic punch-card voting machine — containing an infamous butterfly ballot from Florida's Palm Beach County — and declared her intention to run for secretary of state in 2002 on a platform to eliminate California's outdated voting machines.

The event was reminiscent of her headline-grabbing rise to the political stage in 1969 when, as an assemblywoman, she seized a sledgehammer and smashed a porcelain toilet on the Capitol steps to protest pay toilets in public buildings. That event became the defining moment of her early political career.

"It appealed to people's sense of dignity and fairness," said Tim Hodson, executive director of the Center for California Studies. "It was like a tax on natural bodily functions. When she took it on, it was an early women's issue. Men could use urinals, which never have locks on them."

Governor Ronald Reagan eventually signed her bill banning pay toilets in 1974.

On the State Capitol's steps, March Fong Eu cracks open a punchcard voting machine — and her campaign for Secretary of State.

March Fong Eu

March 29,1929
Born in Oakdale, CA, daughter of Yuen and Shiu Kong.

1945
Eu begins work as a dental hygienist for Oakland public schools.

1948
Eu marries her first husband, dentist Chester Fong. She later adopts two children, Matthew Fong and Suyin Fong. Eu chairs the dental hygiene division at the University of California, San Francisco, Medical Center.

1956
Eu elected to the Alameda County Board of Education, becoming the first woman and Asian American to serve on the board.

1966
Democrat Eu elected to state Assembly, representing Oakland and parts of the East Bay. She goes on to serve four terms in the Legislature.

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Capitalizing on her new-found notoriety, Eu won the secretary of state's job that same year.

"I'm not done yet"

Back then, she broke barriers as the first woman secretary of state and the first Asian-American state constitutional officer. Now Eu, who will be nearly 80 in next year's primary, said she wants to break a barrier for older Californians. And she wants to make sure that what happened in the Florida presidential vote count never happens here.

"Election results must be decided on voter intent, not on which voting system is used," said Eu during her candidacy speech on the Capitol steps. "The punch-card voting system is still widely used in California, and it is a disaster waiting to happen."

Some seven years after voluntarily leaving her state post, Eu said watching the Florida controversy on television last year prompted her to seek one final, four-year term (as allowed her under term limits) as Secretary of State. "Why not? I have the ability. I have the expertise. And I am certainly willing to do it," she noted.

But does she still have what it takes?

Eu tackled that question during a recent speech to the Sacramento Press Club. "I realized that in terms of making a difference, I'm not done yet," said Eu. "I'm ready to get back into the thick of things. To shake things up...Running for office...should be a matter of ability and experience, not age."

Perhaps Eu's biggest task, said Democratic political consultant Jeff Raimundo, "is to prove to California voters that her time has not passed, that she remains a vital public figure who can stay on the edge of development of public policy...Her age in and of itself won't be an issue. But voters will want to see that the effects of her age don't hinder her ability to act on their behalf."

Tony Miller, Eu's former chief deputy who is managing her comeback campaign, said that her age shouldn't matter.

"She is very active, very energetic and blessed with very good health," Miller said. "If the competition is fierce, she will be up to the rigors of a hotly contested race. She will run circles around competitors, regardless of their age."

Challenges ahead

Others, however, aren't so sure.

Critics have questioned Eu's desire – and ability – to return to a full-time job and her ability to raise enough money – estimated at a minimum of $1 million – to keep her candidacy alive. Even friends admit that Eu historically has not been a prolific fund-raiser, largely because she does not like asking people for money. To stay competitive, she will need to tap considerable financial support from her base in the Asian community and among seniors and women's groups.

"Each candidate has to decide whether he or she has the energy to do the job and the ability to raise enough money to compete," said former GOP Assemblyman Keith Olberg of Victorville, who is considering running in the Republican primary for secretary of state. "People look for a serious candidate for secretary of state. Campaign antics – such as smashing toilets — only get you so far. People want to know what you can do for them."

Other Republicans have said privately they believe Eu's candidacy was masterminded by Miller, her longtime aide, as a means of getting himself back into public office. Miller, who briefly assumed the secretary of state's post when Eu became Clinton's ambassador to Micronesia, later campaigned for the job himself but lost to Bill Jones in 1994.

Miller, however, dismissed such speculation. "She has been a friend and a mentor, but in the office she is the boss," Miller said. "I carry her directives, her policies, her programs and try my best to do what she wants."

But even some Democrats who believe that Eu's popularity and name recognition are formidable, have expressed reservations about her candidacy.

"My first reaction was I wish she wouldn't do it," said Michael Gagan, Eu's former chief deputy secretary of state from 1974 to 1980. "That's simply because I thought there

1969
Eu takes a sledgehammer and smashes a porcelain toilet on the Capitol steps to protest pay toilets in public buildings. The event makes news around the world.

1970
Eu and Chester Fong divorce after 22 years of marriage.

1974
Eu elected as California Secretary of State by a record vote of nearly 3 million, making her the first Asian and second woman to hold that post. She is re-elected in 1978, 1982, 1986 and 1990. Former Gov. Ronald Reagan signs the ban against pay toilets in public buildings.

August 31, 1973
Marries Henry Eu, a wealthy Singapore businessman.

November 10, 1986
An intruder breaks into Eu's Los Angeles home and batters her with the blunt end of an axe.

August 20, 1987
Gregory Lee Moore, an ex-convict found guilty of several felony burglary counts in connection with the Eu home-invasion robbery and other crimes, is sentenced to 25 years in prison.

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was a certain dignified symmetry to being an elected official, an ambassador and then retiring. Then, after that reaction, [I thought] whatever she wants to do is fine with me. After all, she can make up her own mind and she appears to be genuinely motivated by recent events."

Warren Slocum, San Mateo County's elections chief, who is planning to run next year in the Democratic primary against Eu, said, "While I respect her, I think it's time for new leadership. Today the problems are different. The solutions are different."

A term-limited landscape

Perhaps one of the greatest obstacles Eu faces is a political landscape fundamentally transformed since she last ran for office.

"I think Dr. Eu could be a formidable candidate, but she is going to face a number of new challenges," said Hodson of the Center for California Studies. "That includes a political world that does not believe in deference to party veterans. [It includes] a funding base and a fund-raising system that has significantly transformed since she last raised money. And the question of whether or not her residual name ID will be sufficient to compensate for her literally and figuratively being out of the state for so many years."

Eu faces potential competition from a number of high-profile fellow Democrats, including Assemblyman Kevin Shelley (D-San Francisco), who has formally announced his candidacy.

Also said to be contemplating a run for secretary of state in 2002 are: state Senator Jackie Speier (D-Hillsborough) and Assembly Speaker Bob Hertzberg (D-Sherman Oaks).

In an interview, Eu said she wants to build on her past successes. As secretary of state, she introduced voter registration by mail, was the first secretary of state to hire a full-time investigator in the voter fraud unit and took steps to automate some of the office's business programs.

Eu would replace punch-card voting machines – now used by 70 percent of California voters — either with touch screen or optical scanning devices. She also wants to fully automate the process of corporate business filings so that documents can be filed electronically and available online.

March Fong Eu in her Assembly days...

She credits Bill Jones, the current secretary of state, who recently announced he would run for governor, with doing a good job. "To his considerable credit, Bill Jones has built on these successes," Eu said. "But much more can be done."

But Jones' staffers say it is Eu who would be building on Jones' accomplishments. Earlier this year, Republican Jones and Democrat Hertzberg jointly pitched a $300 million plan to help counties acquire new voting systems. And lawmakers already have approved $18 million in funding to completely automate business filings at the Secretary of State's Office.

"All she would have to do, if she comes in, is essentially finish up all the work that Bill Jones has done," under-Secretary of State Rob Lapsley said. "She could just walk in and take the credit."

An inner steel

Eu's supporters, however, remain optimistic. They say Eu's sunny, light-hearted manner and her petite, 4-foot-9-inch stature belie her inner steel and conceal a feisty, goal-oriented nature.

"She's not the fiery politician that seems at times to be

February 1987
Eu declares her intention to run for a U.S. Senate seat.

1988
Eu travels to Taiwan to attend a six-week Chinese language course and is introduced to Chinese painting and calligraphy.

1994
Eu is nominated by President Bill Clinton to be U.S. ambassador to Micronesia.

March 2001
Eu announces her candidacy for Secretary of State.

October 29, 1987
Eu drops out of U.S. Senate race after her husband refuses to reveal his business interests, preventing her from complying with mandatory federal financial disclosure statements.

February 28, 1990
Eu agrees to pay an $8,000 fine for failing to properly report some contributions and expenditures during her 1986 re-election campaign for Secretary of State. Eu failed to report 10 contributions totaling $11,450.

1996
Eu returns to the U.S. from Micronesia and retires from public life.

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Secretary of State...

As a political candidate in 2001...

threatening," said state Insurance Commissioner Harry Low, a longtime friend and distant relative of Eu's. "She is engaged in pretty much a non-issue-oriented type of post where you make a decision and there won't be a lot of people on the opposing side. It is an office that doesn't provoke a lot of controversy."

Eu is "quite sharp and engaged," said Low, who was born in the same place as Eu — the backroom of a handwash laundry business in Oakdale that Eu's family sold to his parents.

Eu grew up poor, born to Chinese parents who spoke virtually no English. She was the only Asian in her Richmond public high school but that didn't prevent her from becoming a cheerleader, editor of the school paper and president of the honor society.

Nearly a straight-A student, she climbed her way out of poverty, putting herself through college, earning a bachelor's degree in education at the University of California, Berkeley, then a master's degree at Mills College. While caring for two young children and juggling a full-time career as a dental hygienist, she studied part time for over eight years to earn her doctorate degree in education at Stanford University.

One of those two children, her son, Matt Fong, followed his mother into politics, but not her party affiliation. A registered Republican, Fong was elected state treasurer, then lost a U.S. Senate race against incumbent Barbara Boxer in 1998. Having worked on the George W. Bush transition team, the younger Fong is said to be awaiting a presidential appointment.

Although she and her children are close, Eu is more comfortable discussing politics than her family. The incident that she calls "the birth of my political career" occurred while she was president of the American Dental Hygiene Association. Eu recalls that, after "daring to argue that dental hygienists (who were all women at the time) should be treated as professionals and not as slaves to dentists," she was censured by the association's male-dominated board. She fought the politically motivated censure and won the board's retraction.

Inspired to broaden her political horizons, Eu ran and won her first publicly elected race: a seat on the Alameda County Board of Education, which she used as a springboard to the state Assembly in 1966.

Eu was a four-term assemblywoman when she was elected secretary of state in 1974, despite being heavily outspent by her primary and general election opponents. She was subsequently re-elected by huge margins in 1978, 1982, 1986 and 1990. During that time, she ran a relatively scandal-free administration. The only controversies during her 28-year history in public office were charges that she ran a travel business and made long-distance calls at taxpayers' expense from her Oakland Assembly office and allegations in her last re-election campaign for secretary of state that she violated the very campaign laws she was entrusted to enforce.

In 1990, Eu agreed to settle a complaint involving 95

Injecting humor in one of her campaign speeches, March Fong Eu cites her Top 10 reasons for getting rid of punch card ballots*

10. The system has holes in it.

9. Florida has become more famous for bad punches than good orange juice.
8. With enough butterfly ballots, Pat Buchanan might become president.

7. People named Chad are forced to change their names.
6. Hokey Pokey should remain a dance, not become a voting process.

5. Election results shouldn't have to be listed as Republican, Democrat and Guess Who?
4. Some ballots are like boxers — they aren't good at taking punches.

3. Leaving chad on ballots is now punishable by hanging.
2. Dimples should mean more in beauty contests than in elections.

1. The last election didn't just make us tired... it left us Bushed.

* with her apologies to David Letterman

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campaign finance reporting violations by paying $8,000 to the Fair Political Practices Commission, according to the California Political Almanac. She failed to report 10 contributions totaling $11,450.

Campaign critics

In the past, friends as well as foes have questioned her command of complicated issues, her deftness as a campaigner and her ability to tackle tough situations.

During an unsuccessful 1987 U.S. Senate bid, she was roundly criticized for her superficial knowledge of national issues, particularly about U.S.-Soviet negotiations on reducing nuclear weapons.

Then-Assembly Speaker Willie Brown told the *Los Angeles Times* in a 1987 interview that, while he supported Eu's run for U.S. Senate against then-incumbent Pete Wilson, she needed polishing as a candidate. "She is a terrible public speaker," Brown said. "She reads her speeches. She never lifts her eyes off the page. And I mean never." Eu later withdrew from the race, citing her inability to comply with federal financial disclosure laws due to her wealthy husband's refusal to release details about his business dealings in Singapore.

Even the *California Journal*, then in its infancy and apparently at a loss to explain Eu's record-breaking vote totals in the 1974 secretary of state's race, speculated that "the fact that she is an attractive Oriental female probably was more important in giving her a margin over [her Republican opponent Brian R.] Van Camp of 1.26 million votes."

But critics may have underestimated her tenacity as a campaigner. In her first race for secretary of state, Eu doggedly campaigned in a most unorthodox way: climbing aboard city buses to meet and greet riders and standing outside grocery stores to shake hands with shoppers. "She's one helluva campaigner. One of the last retail, real pump-the-flesh, face-to-face campaigners in California," said Gagan, her former chief deputy.

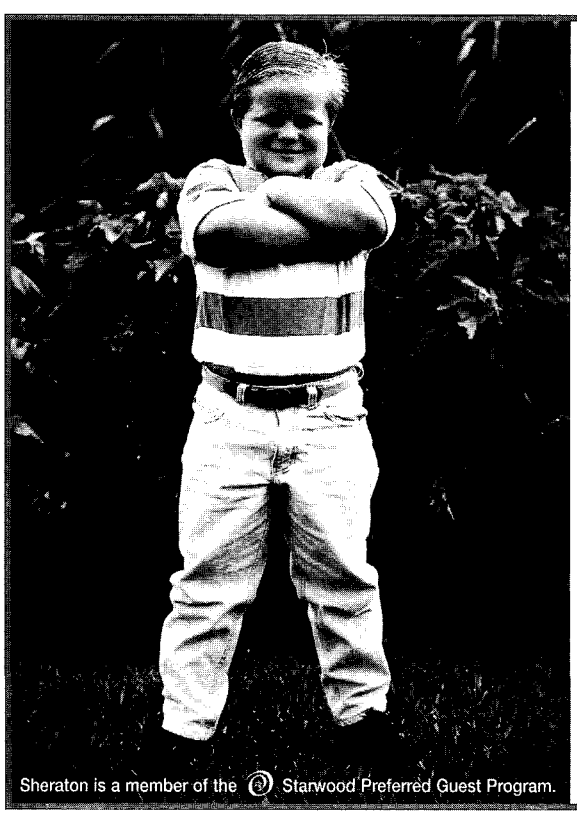
The senior stateswoman of the California Democratic Party is, if anything, an enduring figure with no plans to slow down. Eu says she's tried retirement and it doesn't suit her.

"The fact is, I've spent the last few years semi-retired...And I have enjoyed those years," she said. "Painting. Golfing. Reading. Attending graduation parties for my grandchildren. But...I'm blessed with good health and lots of energy. And I've been antsy for some time to pick up where I left off."

Growing older, Eu said, quoting from the late Florida Congressman Claude Pepper, "is like riding a bicycle. If you quit pedaling, you fall."

"Well, for me, it's time to get back on that bike and pedal it all the way to the Secretary of State's Office...And after that, who knows?"

Emelyn Rodriguez is senior editor of California Journal. *Comments may be sent to* **edit@statenet.com.**



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letters

No Senate majority is no good

U.S. Senator Barbara Boxer is dead wrong for once, as quoted by Marc Sandalow ["Power-sharing: A Senate litmus test"] in the January 2001 issue: "The people voted for a 50-50 Senate. It is what they want."

No. A tie score in any contest shows that nobody got what they wanted. What voter do you know who is happy to *not* have a majority in the Senate?

Donald E. Fawcett
Los Angeles

Who was the dereg speaker?

I call your attention to the fourth paragraph of your article "Electricity in California: A political and economic crossroads," January 2001]:

"This is the same coalition of interests that emerged in 1996 as a Republican governor and Democrat-controlled Legislature came together uneasily to push electricity deregulation..."

This is from unaided memory, but wasn't Republican Curt Pringle the Speaker in 1996 when AB 1890 was approved? Gloat, if I am wrong, but let me know if I am right.

Galal Kernahan
Laguna Woods

Editor's Note: You are right.

Bush can't do both

In Dana Wilkie's remarks in the February 2001 California Journal ["Bush vs. Davis: Heeding the Economy"], she writes that "Bush is said to be warming to traditional Democratic ideas, such as raising the minimum wage and investing in roads, infrastructure and airports to jumpstart the engine of economic growth."

Now, truly, even to people seemingly as dumb as Bush and his advisers seem to be, those ideas should be obvious, but his backers have their eyes on the prize: the promised payoff for that backing.

But he can't do both. To "jumpstart the economy," he will need more taxes, not less, unless he makes more national debt for the next Democrats to pay off.

Clifton Amsbury
Richmond

Tribute to labor volunteer

I would like to thank the *California Journal* for the recent article ["Election Trends: What went right...", January 2001] acknowledging my good friend, Brother David Chavez, who truly sets the standard for all of us in local community volunteerism. [Chavez logged more than 2,000 phone calls to voters in the November 2000 election.]

David is truly beyond measure when it comes to meeting the mission of building stronger, healthier, more compassionate communities. Those of us in local labor thought the *Journal*'s article was a great tribute to David Chavez and the years of dedication he and his family have given to our community as a union member of the Ironworkers Local Union 118.

Thomas J. Lawson
AFL-CIO Community Services Liaison

Outlook on Bush

Regarding the March 2001 article, "What's up for the Golden State?" Real simple: Under Bush Jr., California will be treated worse than Bush Sr. treated us.

On the energy issue, Bush Jr. told California to basically drop dead. All this while the Texas energy companies that are gouging Californians were buying $100,000 inaugural ball tickets.

And like his dad, Bush Jr. is going after Latinos in California by not using the adjusted census data for reapportionment. That cost Latinos one congressional district in the 1992 reapportionment, as well as $2 billion in reduced federal funds.

The 2000 Census Bureau has reported that it undercounted whites by less than 1 percent, but 3 percent of Latinos were undercounted.

Bush Jr. will help California: that's an April Fool's joke!

Bob Mulholland
Campaign Advisor
California Democratic Party

Kudos on Death Row

Your piece on San Quentin State Prison ["Death Row: A Ticking Time Bomb?", March 2001] was extremely well done. Any reader will get a good idea of the problem.

Stephen Green
Assistant Secretary, External Affairs,
California State Youth and Adult Correctional Agency

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Judicial money race

No candidate is immune from the escalating cost of campaigning, even judges. With changes in California's lower court structure and a more competitive campaign climate in general, are California's judges at risk of becoming driven by dollars?

By Bob Egelko

As judicial elections go, it was an eyebrow-raiser. Last fall in Sacramento County, litigation attorney Trena Burger spent $700,000, mostly her own money, to win an open Superior Court seat. Her opponent, Deputy District Attorney Don Steed, spent $200,000. All that for a job that pays $133,000 a year.

At nearly $1 million, the Sacramento County contest nearly doubled the previous record set for a California Superior court election.

It was a race that also included television ads, a rarity for a judicial race, and some nasty accusations — Steed called Burger a "gun-grabber," while Burger accused Steed of letting criminals off in lenient plea deals, appearing to promise that she would not allow plea bargaining in her courtroom.

An aberration or a harbinger of the future?

"This phenomenon of well-financed candidates spending their own money is going to be more common in the future," said Santa Clara University Law Professor Gerald Uelmen, who believes the likelihood of big-money, no-holds-barred campaigns for Superior

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Illustration by Randy Bishop

Court judgeships will continue.

Others aren't convinced.

"I think it was a complete aberration, in terms of the money spent," said Alameda County Superior Court Judge Julie Conger, one of the California Judges Association's experts on judicial campaign ethics.

There's no denying that campaigns for trial court judgeships are growing more expensive. The California Commission on Campaign Financing reported in 1995 that the median amount spent by a Los Angeles Superior Court candidate climbed from $3,000 in 1976 to $70,000 in 1994.

A national problem?

Yet judicial elections in California have largely avoided the fund-raising free-for-alls that brought a group of alarmed state judges and legislators to a national conference in Chicago last December. The National Summit on Improving Judicial Selection concluded with a number of proposed solutions, including public financing of judicial races.

"As currently conducted in many states," the delegates declared, "judicial elections pose a substantial threat to judicial independence and impartiality."

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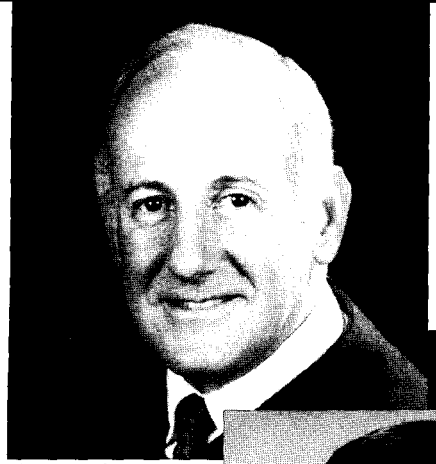

Supreme Court Chief Justice Ron George

Supreme Court Justice Ming Chin

"If Justice Chin and I had n
[consultants] and raised
amount of money, we would hav
— Chief Justi

Unlike California, other states have seen an influx of special interest money in judicial races. Last fall, the U.S. Chamber of Commerce poured millions of dollars into campaigns to elect judges nationwide who would be more business-friendly, including $4 million for a candidate challenging an Ohio Supreme Court justice who had overturned restrictions on damage suits. Labor unions and plaintiffs' trial lawyers were active in a number of state judicial races across the country. In Michigan, three Republicans on the Supreme Court kept their seats in a campaign that consumed $16 million, mostly from special interest groups.

In California, those scenarios largely don't happen. Judicial campaigns aren't cheap — the 1986 state Supreme Court contest topped $11 million and contested trial court elections in urban areas can cost $200,000 per candidate, even higher in Los Angeles – but there has been no reported infusion of special-interest money and relatively little use of attack ads in judicial races. Incumbents are infrequently challenged and even less often defeated, though it remains to be seen whether Governor Gray Davis' appointees fare as well as those of his Republican predecessors.

The California Supreme Court's delegate to the recent Chicago conference was Justice Ming Chin, who spent more than $700,000 in his 1998 election fending off what proved to be a lackluster challenge by anti-abortion groups. Nevertheless, he sees little need in California for most of the proposals endorsed by his judicial colleagues at the national conference, such as more judicial evaluations by bar associations and public financing of some judicial elections.

"When I listened to what everybody else was going through [in other states]...I was counting my blessings," Chin said. "I don't think we need to do any wholesale revamping."

Not everyone is that sanguine. Law professor Uelmen, who also took part in the conference, said the likelihood of escalating campaign spending in Superior Court races should prompt California to change its system of electing trial judges. Instead of running against a challenger every six years, Uelmen suggests, Superior Court judges should be appointed to a 12-year term and then face a yes-or-no vote in a retention election, the system now used for state Supreme Court and appellate justices. He believes campaigns should be conducted in judicial races only when there's a vacancy created by death or retirement.

Voters, however, are unlikely to relinquish any of their electoral power over the judiciary. Judges in 39 states are subject to some form of ballot review, and periodic calls to reduce the role of politics in judicial elections have been a tough sell; a proposal to eliminate contested elections for all trial judges in Florida was rejected last year by voters.

Above the political fray

Still, judges and elections are, at best, an awkward fit.

Judges and would-be judges are allowed to campaign and raise money. They can't endorse candidates for non-judicial offices, can't campaign or raise funds from inside the courthouse and can't solicit their staffers for campaign contributions. And, according to ethical standards observed in every state, they can't discuss cases that are pending or likely to come before them. Unlike conventional politicians who are expected to state their opinions on issues, judges can't take stands on issues that would appear to commit them to ruling a certain way in future cases. About the only promises they're allowed to make are to be fair, diligent and open-minded.

Judges are expected to be above politics. Nevertheless, most of them were appointed by a governor, and some, such as former Attorney General Stanley Mosk and former legislators Quentin Kopp, Lloyd Connelly and Terry Friedman, come directly from the world of politics. But, at least in principle, the judicial robes carry a commitment to serve only the law, not the wishes of the powerful or the whims of the public.

"All the things that would make a great judge, I think, would militate against being an astute campaigner," said San Diego Superior Court Judge David Danielson, a recent president of the California Judges Association and an expert on judicial elections. For that reason, he feels any judge facing a challenger is compelled to hire a campaign consultant.

"You want judges to be independent," said Robert Stern, president of the Center for Governmental Studies in Los Angeles. "Yet, if the judges are

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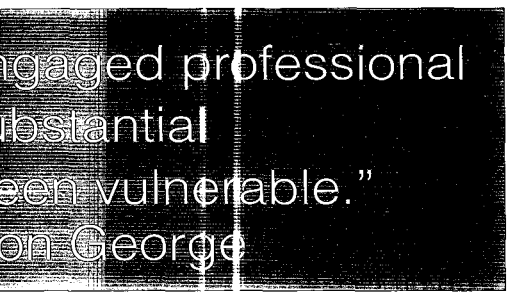
independent, they're challenged [on the ballot]."

Whether the 1986 challenge to Chief Justice Rose Bird and two Supreme Court colleagues was a reaction to judicial independence or abuse



of power regarding death penalty reversals is debated as strenuously today as it was 15 years ago. Beyond dispute, however, were the record-setting campaign costs: $6.6 million by opponents, led by prosecutors and prominent Republicans (most of it in small contributions, contrary to the persistent view that the campaign was largely bankrolled by insurers and agribusiness) and a combined $4.7 million raised by Bird, Justices Cruz Reynoso and Joseph Grodin, and an independent pro-court committee.

The defeat of the three justices was the first since California instituted retention elections for its higher courts in 1934, one of several steps the state has taken to shield judges from political pressure. Nonpartisan elections for trial judges, tough signature requirements for recalls, and countywide Superior Court districts all make it difficult to defeat an incumbent; only two were unseated last year.

Lessons earned

Chin and Chief Justice Ronald George showed they'd learned the lessons of the Bird court when they were targeted by abortion opponents in 1998 for overturning the state's parental consent law for minors' abortions. They hired consultants, raised a total of $1.6 million (to their opponents' $40,000) and conducted a resoundingly successful tour of newspaper editorial boards where they marginalized their opponents as extremists. In the end, they won easily: 75 percent of voters approved George, 69 percent approved Chin.

"If Justice Chin and I had not engaged professional [consultants] and raised a substantial amount of money, we would have been vulnerable," said George, who hopes their electoral victory discourages similar challengers to Supreme Court justices in the future.

Nevertheless, judicial campaign costs are expected to escalate further now that counties statewide have completed merging their former Municipal Court districts into a single Superior Court system. A would-be judge in Los Angeles County no longer has the option of looking for an open seat or a vulnerable incumbent in one of 26 Municipal Court districts, which were geographically small. Instead, he or she must now campaign for Superior Court seats on a countywide ballot.

That may discourage challenges to sitting judges, said George, himself a former Los Angeles trial judge. "It's tougher, especially in a place like Los Angeles, to run countywide than it might be to run in a small district," the chief justice said.

A number of factors contribute to higher costs for judicial campaigns, including the voter pamphlet. Probably the most efficient way for a judicial candidate to communicate with voters is through the candidate's 200-word statement in the voter pamphlet. Counties once mailed these at taxpayer expense but, in a measure endorsed by California judges, counties were authorized to bill judicial candidates for the mailing costs. Judges "didn't want any competition," recalled Stern, the former general counsel of the state Fair Political Practices Commission. The average charge per candidate in Los Angeles County is $60,000. (Delegates at the Chicago conference urged Congress to provide free mailing of voter pamphlets.)

Hiring the pros

In addition, a serious judicial candidate must hire a campaign consultant, pay for endorsements in group slate mailers and, in some cases, buy ads on local cable TV or in newspapers, said Los Angeles-based consultant Joseph Cerrell, who by his count

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has managed 300 judicial races since 1978.

"Guys who tell me they're going to go out and give speeches, I tell them to sit home and dial for dollars," he said.

Cerrell said a successful campaign for an open Superior Court seat or against a well-financed opponent would probably cost $250,000 in Los Angeles. It's cheaper in other other areas, but still well into six figures.

Where does the money come from? Apart from self-financed candidates, judicial hopefuls depend largely on those who know them best and have the most at stake — lawyers who practice before the court. Although judges are ethically forbidden to accept gifts from lawyers, the ban does not apply to campaign contributions.

Judges are not required to disqualify themselves from cases involving their donors, unless the size or timing of the contribution creates an appearance of bias. That standard is subjective and variously interpreted; during their 1998 election, George and Chin said they took pains to avoid cases involving their campaign donors, returning money and occasionally stepping aside when a donor's name showed up on a case already under review by the Supreme Court.

Judges can accept donations of any amount and aren't required to disclose in court that they took a campaign contribution from a lawyer involved in a case before them. But ex-CJA President Danielson said he advises fellow judges to declare, during courtroom proceedings, all contributions from any participants in the case. He also recommends that judges accept no more than $250 from individual lawyers. "I don't think it can be seriously urged that one will sell out their integrity for $250," he said.

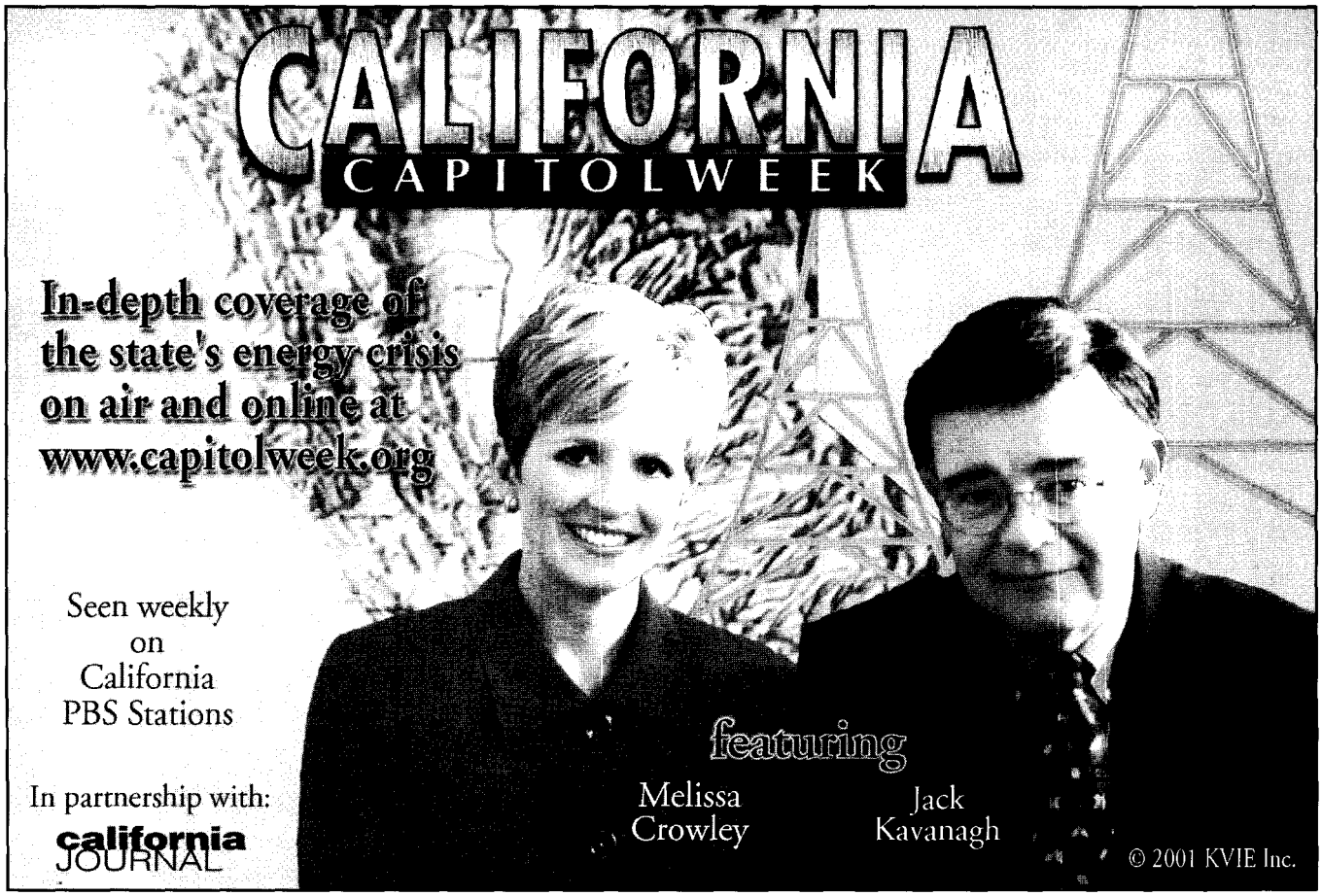
Oddly enough, some of the rules could soon be scrapped as the unintended result of an enforcement action by the Commission on Judicial Performance, which oversees judges' campaign conduct.

The commission has filed disciplinary charges against former Sonoma County Superior Court Judge Patricia Gray, one of the two incumbents defeated last year. Gray sent a campaign mailer assailing her opponent, public defender Elliot Daum, for defending a "cop killer" — implying, the commission said, that Daum favored criminals.

A censure from the commission would bar Gray from any future judicial assignments. But Gray, ousted after serving one six-year term, has countered that the ethical restrictions on judicial campaign statements violate freedom of speech — a winning argument in lawsuits in several other states.

If she wins, the genteel rules of conduct followed in most judicial races could become a thing of the past. Just as Trena Burger rewrote the rule book on judicial campaign spending in trial courts, Patricia Gray, even in defeat, could rewrite the code of campaign conduct for the judiciary.

Bob Egelko covers the courts for the San Francisco Chronicle. *Comments may be sent to* ***edit@statenet.com.***



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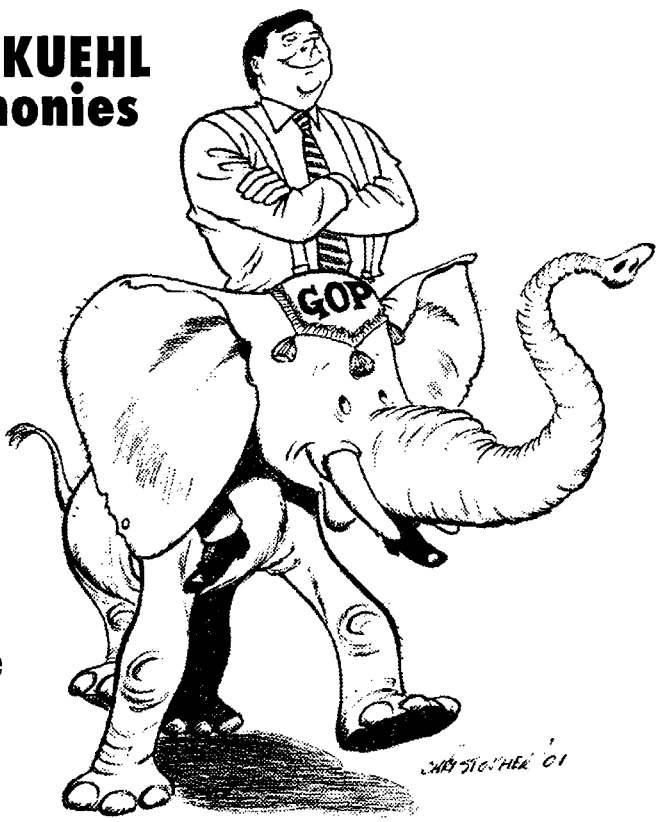

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The Housing

There's nothing ordinary about a political rally that begins with a group of pastors issuing an apology for not paying enough attention to the issue at hand. Nor is a speech by state Treasurer Phil Angelides typically interrupted by a chorus of "hallelujahs."

Then again, there is nothing typical about the overheated housing market in San Francisco — and elsewhere in the state — a housing market where so many people earning $50,000 a year qualify for local housing assistance that the programs routinely have to turn residents away.

It's that kind of housing frustration that prompted the unusually passionate outpouring last February at a San Francisco rally to support affordable housing — an issue that increasingly resonates in a number of congested areas statewide.

From San Francisco to San Diego, California is growing too many jobs for too few houses. The result is a housing market that has spiraled out of control. But the statewide clamor for more affordable housing has reached the Legislature, where a bumper crop of housing bills are awaiting lawmakers' attention.

By William Fulton and Paul Shigley

"We acknowledge our shame at the treatment of the poor and vulnerable people in this city and area," said the apology signed by dozens of San Francisco clergy members and read aloud at the rally. "And we confess our shame that we have learned to live with the degradation and displacement of poor and working-class people and that we have enabled our people to put up with it."

The February rally — which attracted 3,000 people on a Sunday afternoon — concluded with Angelides, State Senate President pro Tempore John Burton (D-San Francisco) and state Assemblyman Kevin Shelley (D-San Francisco) all pledging to fight for continued funding for new construction, rental assistance, down-payment help and older home rehabilitation, as well as increased housing tax credits and a "Renters' Bill of Rights" to limit rent-based evictions by landlords.

"We didn't just want it to be this rally where people come and scream and go home, and nothing has happened," explained Denise Collazo, executive director of the San Francisco Organizing Project, a federation of 40 religious congregations from across San Francisco.

Collazo's group was confronted by the housing issue while conducting hundreds of interviews last year during its annual survey

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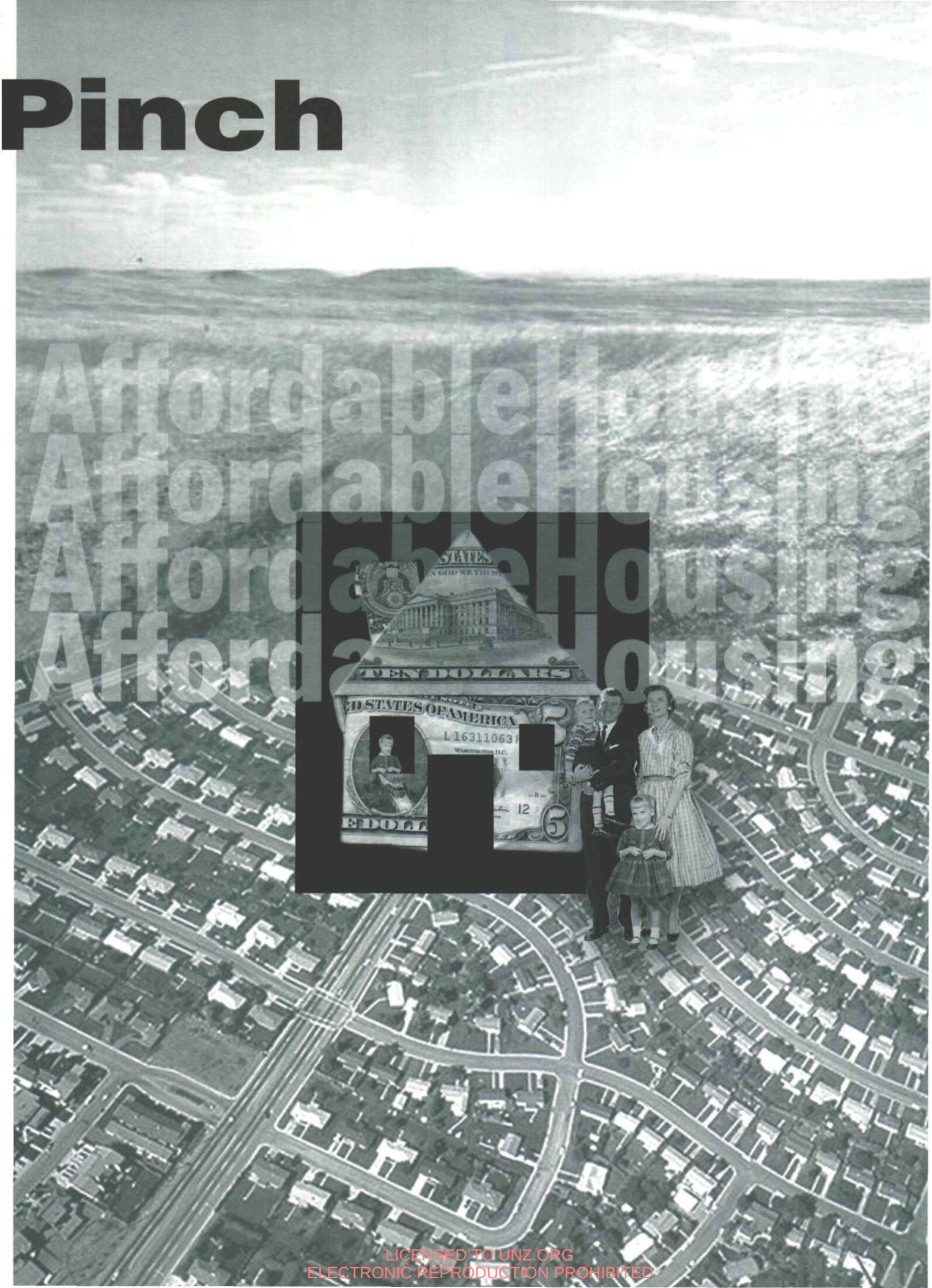
Pinch



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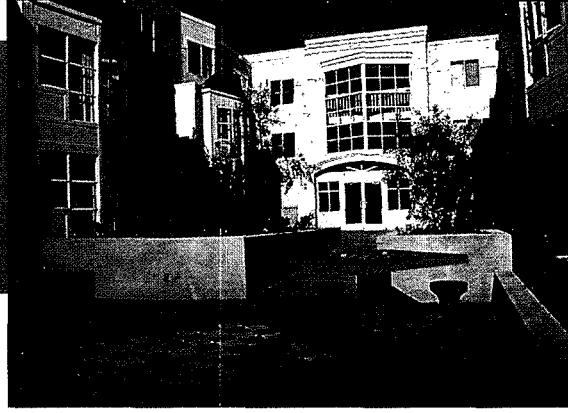
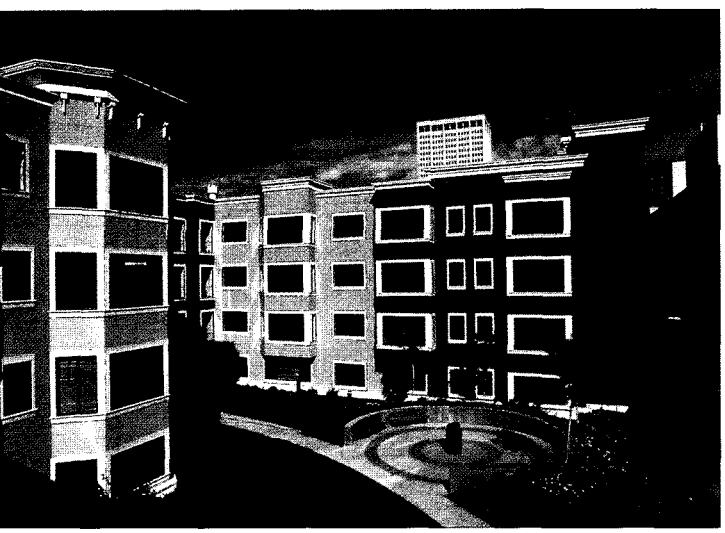
Although the electricity crisis has dominated the Capitol's agenda for months, legislators this year have introduced a record number of bills — roughly 150 by one count — concerning housing.



Coleridge Park Homes in San Francisco provides 49 affordable apartments for seniors. Photo courtesy of Bridge Housing.

of city residents. Health care and transportation had been the top priorities in recent surveys until last year when the group found that tenant evictions had "skyrocketed," leaving nearly everyone interviewed worried about whether they, their family members and their friends could continue to live in a city where tiny studio apartments rent for $1,500-a-month and up.



Fell Street, San Francisco, is an 82-unit affordable family rental apartment building developed by Bridge Housing in partnership with San Francisco Redevelopment. Photo courtesy of Bridge Housing.

"Two years ago, the number one issue in the city was Muni," Collazo says, referring to San Francisco's beleaguered bus system. "Now, people go, 'Muni? Huh?' Even middle-class families can't afford to live in San Francisco....There is a whole segment of the population that's leaving, and it's mostly families with children."

The San Francisco rally is just one example of the political pressure placed on state lawmakers to do something about housing statewide. Although the electricity crisis has dominated the Capitol's agenda for months, legislators this year have introduced a record number of bills — roughly 150 by one count — concerning housing.

"I think there are easily twice as many bills as we normally see," said Mike Herald, executive director of Housing California, a coalition of advocacy groups. "I think it's a reflection of what members are hearing in their districts."

Senator Joe Dunn (D-Santa Ana), chairman of the Senate Housing and Community Development Committee, said housing is on every lawmaker's radar screen this year. "It's not just a Silicon Valley problem. It's really starting to touch every portion of the state," said Dunn.

The state's affordable housing problem is well documented. Since the mid-1990s, a number of California communities, particularly in the Bay Area, Silicon Valley, Orange County and San Diego, have created new jobs far faster than new housing, causing home prices to rise dramatically.

During the past decade, housing production has lagged. According to the California Building Industry Association, 1.67 million homes should have been built since the beginning of 1994. However, only about 800,000 housing units have been constructed. In most of the Bay Area, only about one family in six can afford the median-priced house. In portions of Southern California, the ratio is not much better. In many congested areas, especially in Los Angeles, families are doubling up, sharing a household as a means of stretching their housing dollars.

Legislators have proposed a number of solutions to attack the housing crisis. Among them are bills to construct more housing near work places for all income levels, while other measures focus strictly on building apartments and houses affordable to low- and middle-income residents. Some bills would streamline the environmental review process for "infill" developments. Some would provide tax incentives to local governments that approve new housing. Another measure would strengthen the "anti-NIMBY [Not In My Backyard]" law so that cities and counties have legal cover when they approve affordable housing projects. There also is a proposal for mortgage guarantees for people who purchase homes in urban areas, and several proposals that single out fire fighters, police officers, teachers and other public employees for housing assistance. Another bill would require redevelopment agencies to spend more tax increment revenues on housing. There also are bills to decrease builders' liability for construction defects, which developers con-

The Sycamore Grove is a small townhouse development in Orange County. Photo courtesy of the Gold Nugget Awards.

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tend has prevented widespread construction of condominiums and townhouses.

Taxing hurdles

One of the biggest hurdles to more local housing construction is that cities and counties are often reluctant to approve building permits for new housing, compared with office or commercial space, because the state's system of financing local government emphasizes a reliance on sales tax revenue over property taxes. This so-called "fiscalization of land use" was exacerbated during the early 1990s when the state shifted a portion of property taxes away from cities and counties to fund school districts.

Four years ago, a prominent group of land-use planners called the California Planning Roundtable issued a report, "Restoring the Balance," which concluded, in part, "Many local governments have no incentive to approve much-needed housing projects — especially affordable housing projects — because they are money-losers for the local budget."

Janet Fairbanks, a roundtable member and senior regional planner for the San Diego Association of Governments, says little has changed on affordable housing since that report was issued. "Given the energy problem right now, it doesn't seem to be receiving the attention it was getting [in the Legislature]. But it's still a concern to us," she said.

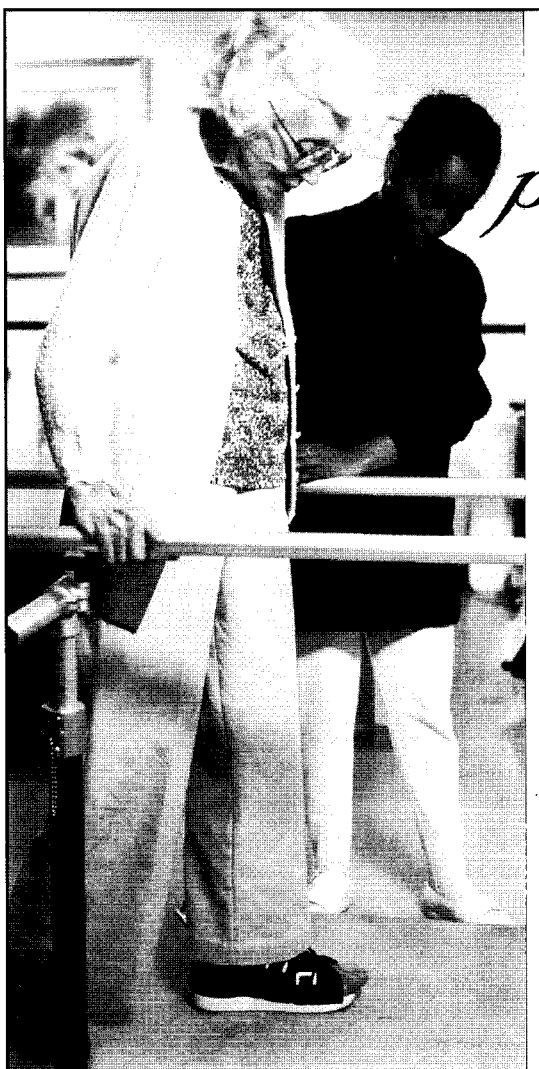
Fairbanks' concerns are not forgotten, according to Assemblywoman Patricia Wiggins (D-Santa Rosa), who chairs the Assembly Local Government Committee and the Assembly's Smart Growth Caucus.

"Many of us are looking at property tax incentives. We're not going to get a wholesale return of the property tax that was shifted away, but we can do it in pieces," Wiggins said. Both she and Assemblyman Alan Lowenthal (D-Long Beach) are carrying legislation — AB 859 and AB 1284, respectively — that would give cities and counties a larger share of property tax revenues. Lowenthal's measure specifically targets communities with serious jobs-housing imbalances.

Dunn, however, says it is "not likely" that any proposal shifting property tax money from the state to cities and counties will get approved this year because the state has spent so much of its surplus purchasing electricity.

"It's one of those things that everybody sees as a problem," Dunn says. "Whatever changes we make, we're going to create some new winners and some new losers. That zero-sum game has paralyzed discussion here at the Capitol."

One of Dunn's major efforts this year (SB 910) would put teeth in the state's housing element law, which requires cities and counties to specify in their general plan how and where they will locate affordable housing.



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The Heritage in Pasadena, medium-density urban infill project with affordable housing. Photo courtesy of the Gold Nugget Awards and photographer Eric Figge.

Under the current system, there are few penalties for cities and counties that fail to adopt valid housing elements, and Dunn estimates that one-third of cities and counties do not comply with the law. His bill would: give better legal footing to housing advocates who challenge a local housing element in court, impose fines and, most important, withhold state transportation dollars from cities and counties that don't comply.

"That is going to be a shot at the heart of the jurisdictions that steadfastly have refused to comply with the housing element law," Dunn says.

Dunn's bill is adamantly opposed by both the League of California Cities and the California State Association of Counties. In its recent legislative bulletin, CSAC said Dunn's bill is "a very punitive measure that ignores the fiscal realities" needed to provide affordable housing in California. "The housing crisis is not an independent problem and cannot be solved through a microscopic approach such as the 'housing element,'" according to CSAC's bill analysis.

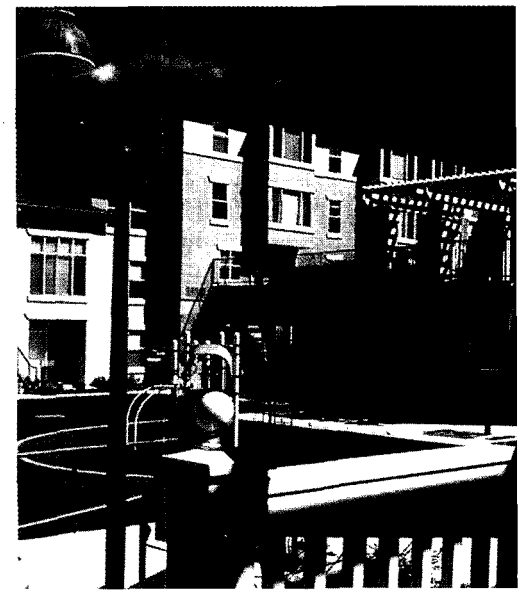
Sunne Wright McPeak, president and CEO of the Bay Area Council, an association of business executives, says the state's housing element law needs carrot-and-stick incentives.

"There is nothing in housing element law mechanisms that allows the markets to operate as they should and meet the full demand," says McPeak, who also chairs Job Center Housing Coalition, a collection of business, labor, minority and housing groups.

But McPeak blames the state's lack of land-use planning for the failure of cities and counties to meet housing demands. "We don't have a firm state housing policy for meeting the needs of the work force," she complains.

Under the current system, the state Department of Finance estimates the number of new housing units the state will need to accommodate its growing population. The Department of Housing and Community Development then negotiates with regional councils of government (COGs) — such as the Southern California Association of Governments and the Association of Bay Area Governments — to determine what type and how many housing units each region will provide. The COGs then assign each city and county in their region a "fair share" number: specifying how many very low-, low-, moderate- and above-moderate income housing units will be located in each jurisdiction. The process is always contentious, and the latest round in Southern California has resulted in litigation amongst cities, counties, SCAG and the state over where affordable housing should be located.

Susan Baldwin, senior regional planner for the San Diego Association of Governments (SANDAG), said local governments need financial incentives to comply with the housing element law. She also suggested the state require cities and counties to issue a certain number of building permits for affordable housing each year, rather than simply issue a plan on paper.



Strowbridge Court is a 96-unit transit-based affordable housing development, built in collaboration with BART in Alameda County.

Like many people, Baldwin says that subsidies are essential for creation of affordable units.

"A lot of it is having actual money or tax incentives to make it happen. The low-income tax credit program has been tremendously successful and is oversubscribed every year," Baldwin says.

To resolve that, Dunn has a bill (SB 73) that would increase the number and total amount of state tax credits available for those investing in low-income housing development.

Sande George, lobbyist for the

Bottom of the barrel

Nine of the 10 least affordable housing regions in the nation are in California (based on the percentage of homes sold that a median-income family can afford):

Vallejo/Fairfield/Napa	23.17%
San Diego	22.6%
Oakland	20.7%
San Luis Obispo/Atascadero/ Paso Robles	18.0%
San Jose	12.1%
Santa Rosa	12.1%
Salinas	9.6%
Santa Cruz/Watsonville	7.8%
San Francisco	6.1%

Source: National Assn. of Home Builders, Housing Opportunity Index, Oct.-Dec. 2000 (www.nahb.com)

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California Chapter of the American Planning Association, also says that if lawmakers want to encourage affordable housing, they need to provide financial assistance. Affordable housing only pencils out, she said, when there are economic subsidies.

The 2000-01 state budget contained a record $570 million for housing programs, up from nearly zero during the Wilson and Deukmejian administrations. Last year was the first budget in at least 20 years that set aside significant amounts of funding for housing. But most of that was one-time funding, and there is great doubt that the next budget will earmark anywhere near as much — despite promises by Angelides, Burton and others at political rallies.

Housing California's Herald says his priority is getting the state to provide more money for housing production, especially construction of units for the poorest families. He also is concerned about the roughly 100,000 rental housing units statewide that are at risk of losing their subsidized, low rental rates in coming years. Under the federal government's "Section 8" housing program, these units allow tenants to pay below-market rental rates, with the balance paid to landlords by the federal government. But as these federal contracts expire, many landlords allow their rentals to revert to full-market prices, causing rents to skyrocket.

A bill by Dunn (SB 372) would provide interim financing allowing the state or a nonprofit agency to purchase Section 8 units to maintain their affordability. Dunn also is lobbying Congress to reverse a 1986 tax change that discouraged investment in apartment buildings and other rentals.

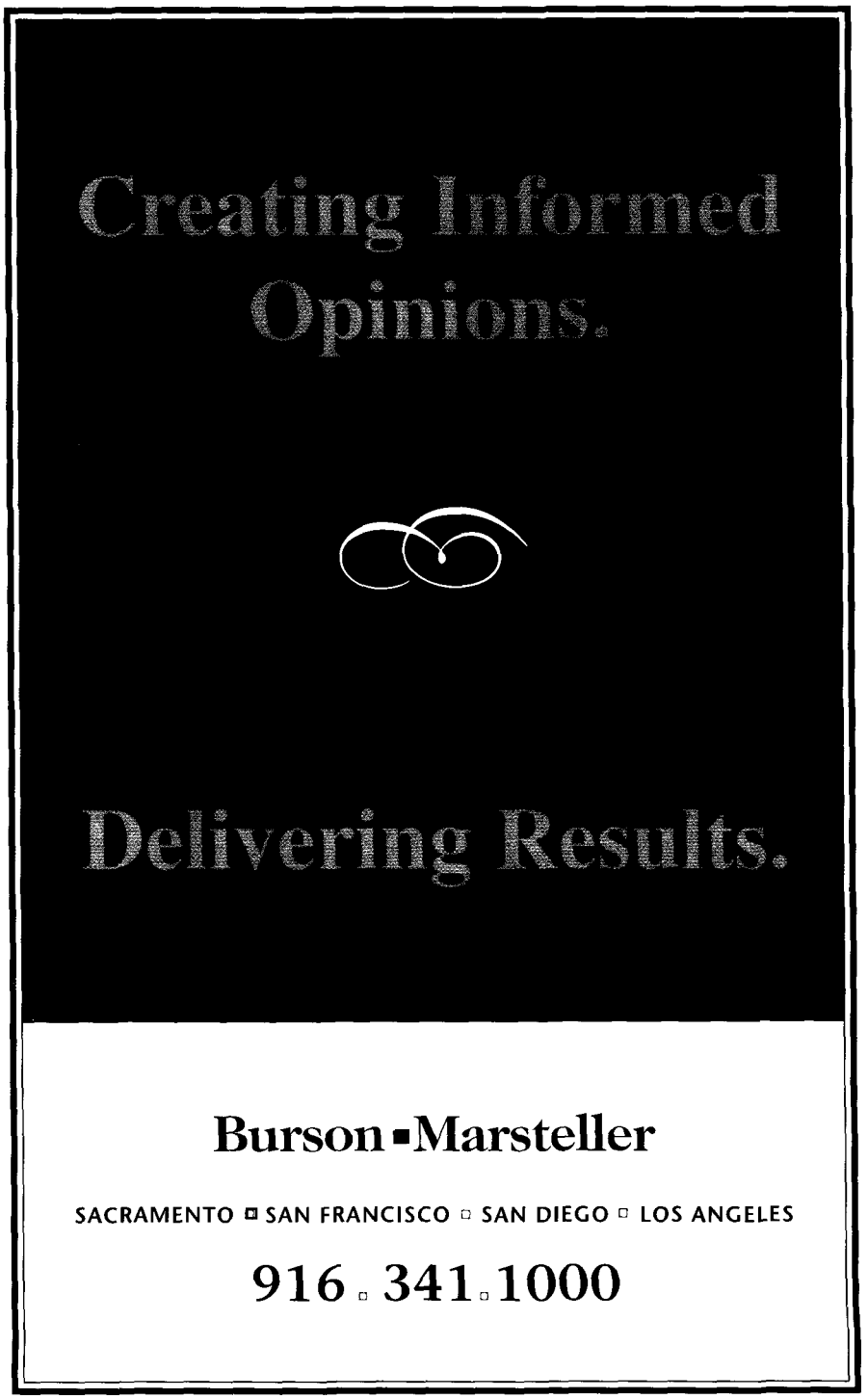
Still, building more affordable housing is nearly everyone's priority. The building industry estimates California should have built twice as many new homes during that '90s than were actually constructed.

"As we see it," said the Bay Area Council's McPeak, "we've got an affordability problem and an availability problem, and the availability problem is at the heart of the affordability problem. We've got to get more real, so to speak, on the supply side of things."

The lack of construction is often blamed on NIMBYism — the "Not In My Back Yard" protests of citizens and elected officials. In recent years, even proposals for upper-end housing have met this type of resistance, as evidenced by the growing number of slow-growth measures on local ballots.

As an antidote, Collazo's group has been handing out lapel pins that spell out what she hopes will be a new attitude toward affordable housing: "YIMBY —Yes In My Back Yard."

William Fulton and Paul Shigley produce the California Planning and Development Report. Comments may be sent to **edit @statenet.com.**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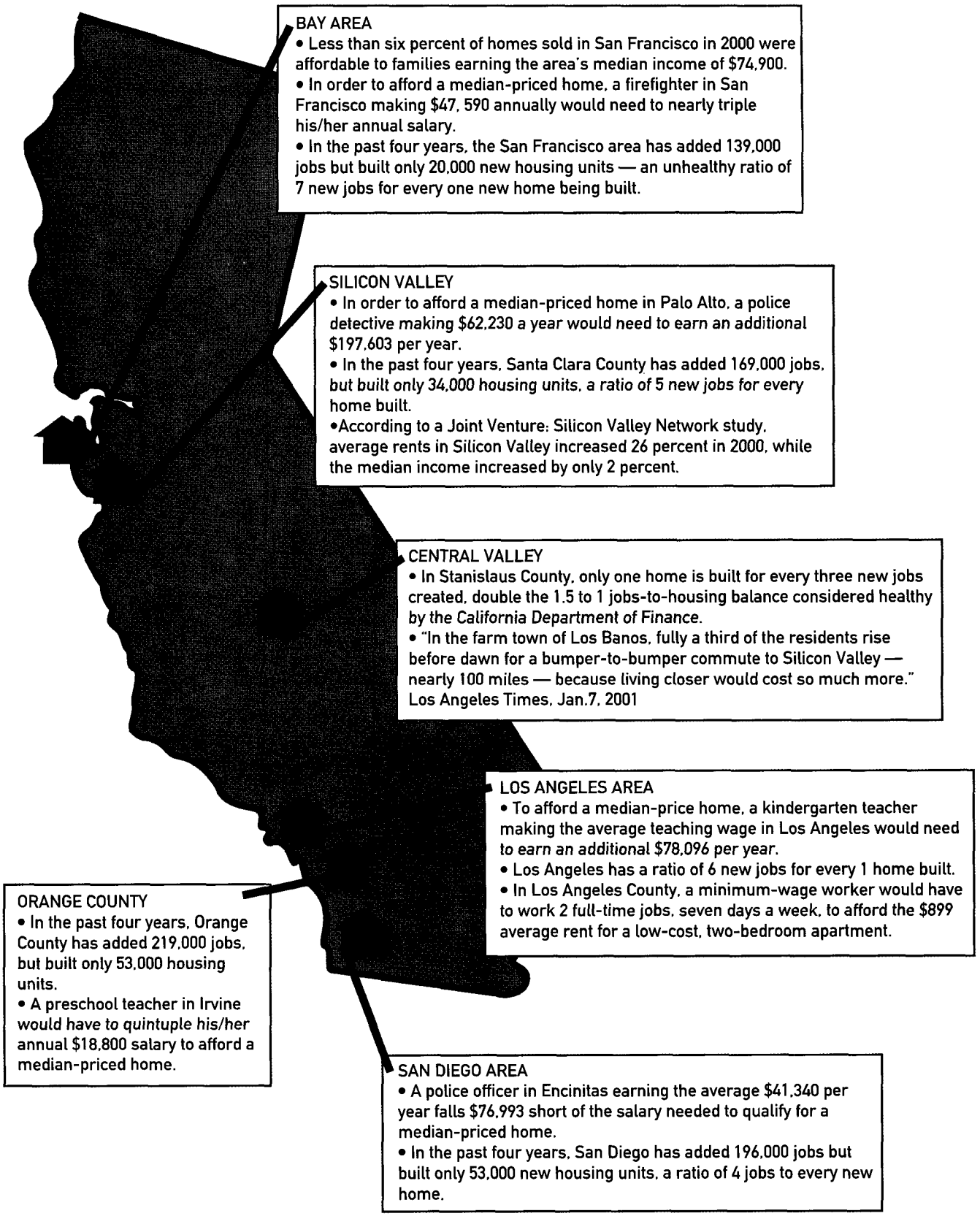
A regional glimpse of California's housing crisis

Hot spots of unaffordable housing



BAY AREA
- Less than six percent of homes sold in San Francisco in 2000 were affordable to families earning the area's median income of $74,900.
- In order to afford a median-priced home, a firefighter in San Francisco making $47, 590 annually would need to nearly triple his/her annual salary.
- In the past four years, the San Francisco area has added 139,000 jobs but built only 20,000 new housing units — an unhealthy ratio of 7 new jobs for every one new home being built.

SILICON VALLEY
- In order to afford a median-priced home in Palo Alto, a police detective making $62,230 a year would need to earn an additional $197,603 per year.
- In the past four years, Santa Clara County has added 169,000 jobs, but built only 34,000 housing units, a ratio of 5 new jobs for every home built.
- According to a Joint Venture: Silicon Valley Network study, average rents in Silicon Valley increased 26 percent in 2000, while the median income increased by only 2 percent.

CENTRAL VALLEY
- In Stanislaus County, only one home is built for every three new jobs created, double the 1.5 to 1 jobs-to-housing balance considered healthy by the California Department of Finance.
- "In the farm town of Los Banos, fully a third of the residents rise before dawn for a bumper-to-bumper commute to Silicon Valley — nearly 100 miles — because living closer would cost so much more." Los Angeles Times, Jan.7, 2001

LOS ANGELES AREA
- To afford a median-price home, a kindergarten teacher making the average teaching wage in Los Angeles would need to earn an additional $78,096 per year.
- Los Angeles has a ratio of 6 new jobs for every 1 home built.
- In Los Angeles County, a minimum-wage worker would have to work 2 full-time jobs, seven days a week, to afford the $899 average rent for a low-cost, two-bedroom apartment.

ORANGE COUNTY
- In the past four years, Orange County has added 219,000 jobs, but built only 53,000 housing units.
- A preschool teacher in Irvine would have to quintuple his/her annual $18,800 salary to afford a median-priced home.

SAN DIEGO AREA
- A police officer in Encinitas earning the average $41,340 per year falls $76,993 short of the salary needed to qualify for a median-priced home.
- In the past four years, San Diego has added 196,000 jobs but built only 53,000 new housing units, a ratio of 4 jobs to every new home.

Source:The Job-Center Housing Coalition, comprised of builders, business and minority groups, February 2001. (www.jobcenterhousing.com)

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A tale of two presidents

by Emelyn Rodriguez

With the right blend of confidence, machismo and in-your-face aggressiveness, Mexican President Vicente Fox's election last summer inspired hope in the hearts of Mexicans yearning for change after seven decades of one-party rule. During Fox's presidential campaign, his unconventional style grabbed headlines almost daily in Mexico. In one memorable exchange, he labeled his opponent, Francisco Labastida, of the then-ruling Revolutionary Institutional Party (PRI), a whiner and a sissy for complaining about Fox's campaign tactics. Fox's colorful, blunt approach convinced Mexican voters that he was strong enough and bold enough to undo the PRI, which seemingly had an iron-clad grip on the presidency.

Now Fox has taken his charisma across the border, although these days he exhibits a more refined, toned-down presidential manner. In March, he traveled to California to meet with Governor Gray Davis and address the Legislature. With his commanding presence and his confident stride, Fox was an instant hit. He was cheered, applauded, even mobbed like a rock star by a crush of supporters during a tour of a San Jose manufacturing plant.

Fox spoke of unity and cooperation. Yet he did not avoid touchy topics such as immigration and drug trafficking — sources of major conflict between Mexico and the United States.

It is time, said Fox, to leave behind "years of misunderstanding and mutual mistrust." He vowed to improve Mexico's sputtering economy so that fewer residents would be forced to leave for better paying jobs. In return, he boldly asked for a "guest worker" program to allow temporary employment of 250,000 Mexican field workers in the U.S., as well as "greater access to the California education system" for Mexican immigrants.

Davis also extended the olive branch, saying that California and Mexico have "repaired the breach" and are "enjoying the season of renewal."

It wasn't that long ago when California-Mexico relations were so chilly that such an exchange would have been unimaginable. The strained relations go back to Proposition 187, the 1994 anti-illegal immigration initiative that then-Gov. Pete Wilson championed – and the Mexican government sharply criticized.

A dramatic warming of relations occurred in May 1999 when former Mexican President Ernesto Zedillo made his first California visit. That visit offers a study in contrasts between the two presidents and an indication of how far California-Mexico relations have mended.

Zedillo's visit was the first of any Mexico president to the state Capitol. Davis dubbed the trip "La mano de amistad — the hand of friendship."

The scholarly looking Zedillo, a Yale-educated economist, was reserved and low-keyed. He drew polite well-wishers but no raucous, cheering crowds. He also steered clear of controversial statements and carefully tip-toed around thorny issues. Only when ambushed by the media on his way to an official event did he grudgingly speak on Proposition 187 and Davis' decision to seek mediation instead of dropping the state's appeal of a federal ruling blocking the ballot measure.

Davis, who is the constant in this equation, deserves considerable credit for his efforts to mend the [Mexico-CA] relationship.

Even then, his statements were decidedly neutral in an effort to continue smoothing things over. "I trust Gov. Davis, and I know that at the end there will be a good resolution to this issue," Zedillo said.

Zedillo, who played an historic role in helping to democratize his country's presidential primary, laid the foundation for progress, while Fox built on its success. It took painstaking effort, but now both sides have reached a certain comfort level and are more able to discuss issues that once caused conflict and consternation: illegal immigration, border drug traffic, alleged human rights abuses of Mexican migrant workers.

Davis, who is the constant in this equation, deserves considerable credit for his efforts to mend the relationship. Because of the renewed friendship, there are joint efforts including a high-speed Internet link between the University of California library system and Mexican universities, a new Mexican government trade office in Santa Ana and programs to deal with border issues such as hazardous materials and pollution. To top it off, California is now Mexico's top trading partner with exports that total nearly $19 billion and support 228,000 jobs.

While the two presidents varied in style, they were consistent in substance. Both have stayed the course toward improved relations with California. Viva la union.

Emelyn Rodriguez is Senior Editor for the California Journal. *Comments may be sent to* **edit@statenet.com.**

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Bush and Davis: When the lights go out, who's left standing?

by Marc Sandalow

It is tempting to gaze eastward and assume that President George W. Bush's response to California's energy crisis is borne out of contempt for the state's 33 million residents. His lack of empathy over brownouts, his refusal to consider wholesale price caps, a budget that slashes money for renewable energy research, even his failure to schedule a California visit — all seem to support the repeated Democratic assertion that Bush has told the state to drop dead.

Similarly, it is easy to look westward and see a governor — once regarded as a top-tier Democratic presidential contender — enduring the electoral equivalent of a rolling blackout. If political capital were traded on the open market, Governor Gray Davis might have beat PG&E in declaring bankruptcy.

Governor Davis is enduring the electoral equivalent of a rolling blackout.

Yet for all the dismay over the lackluster response of the nation's top two chief executives, both have behaved perfectly in character.

If Californians expected a president who demanded conservation, stood up to the power generators, and pushed for government control of the private electricity market, they should have persuaded the rest of the nation to vote for Al Gore — or Ralph Nader. And if Washington's political handicappers want to see a larger-than-life California governor who commands fear and awe among power players, they should be promoting the candidacy of Arnold Schwarzenegger ("Hasta la vista, PG&E").

Indeed, there is a relationship between President Bush's abysmal showing at the polls in California last November and his response today to the state's needs. Fact is, Bush is behaving entirely consistent with his free-market, small-government approach. During his campaign, Bush said nothing that suggested he would have acted differently. Nor did he ever back away from his support for Alaska oil drilling, nuclear energy, or overturning environmental regulations.

Which helps explain why, despite numerous visits and millions of dollars spent on California campaign ads, Bush still received 1.3 million fewer votes in this state than Al Gore.

Bush has now found California's crisis a convenient justification for many of his policies – even his $1.6 trillion tax cut, which he boasted "will buy the average California family 24 months' worth of electric power."

As for Davis, it was hard for many veteran political observers to believe that the uninspiring official, who toiled in the back rooms of California politics for two decades, was a player on the national stage.

But there he was. By virtue of his come-from-behind 1998 victory, his remarkable fund-raising ability, and his backing in a state that will soon boast 55 electoral votes, Davis was on most everyone's list of Democratic presidential contenders.

Last fall, things were falling into place. Gore's defeat meant the party would be looking for a new star. As the incoming chair of the Democratic Governor's Association, Davis had a high profile. The Democratic Leadership Council — the same centrist organization that launched the careers of Bill Clinton, Al Gore and Joe Lieberman — regarded him as their top office holder.

After raising a political war chest of $25 million and maneuvering himself to become the "education governor," Davis became the editorial golden boy. *Business Week* was only one of many publications to declare him among the most prominent of the "Democratic heavyweights."

And then the lights went out.

Now, Mr. Gray, as the *New York Times* once mistakenly referred to him, has become the governor who can't keep the lights on. *Campaign and Elections* magazine gave him a 40-1 long shot to win the presidency — and that was before he backed rate hikes and PG&E declared bankruptcy.

Davis always maintained that he was focused on Sacramento, not Washington, D.C. But no one believed him. The presidential bug is something that seems to infect all California governors, from Pete Wilson and Jerry Brown to Ronald Reagan. If one includes the vice-presidential flirtations of George Deukmejian and Pat Brown, one has to go back to Republican Goodwin Knight in the 1950s to find a California governor who has not talked about becoming part of a national ticket.

Many Easterners still think of Jerry Brown as the quintessential California pol. Davis may never have a chance to dispel that stereotype.

The electricity crisis will take its toll at the polls. And lucky for Bush, Davis is up for re-election first.

Marc Sandalow is Washington, D.C. bureau chief for the San Francisco Chronicle. *Comments may be sent to* ***edit@statenet.com.***

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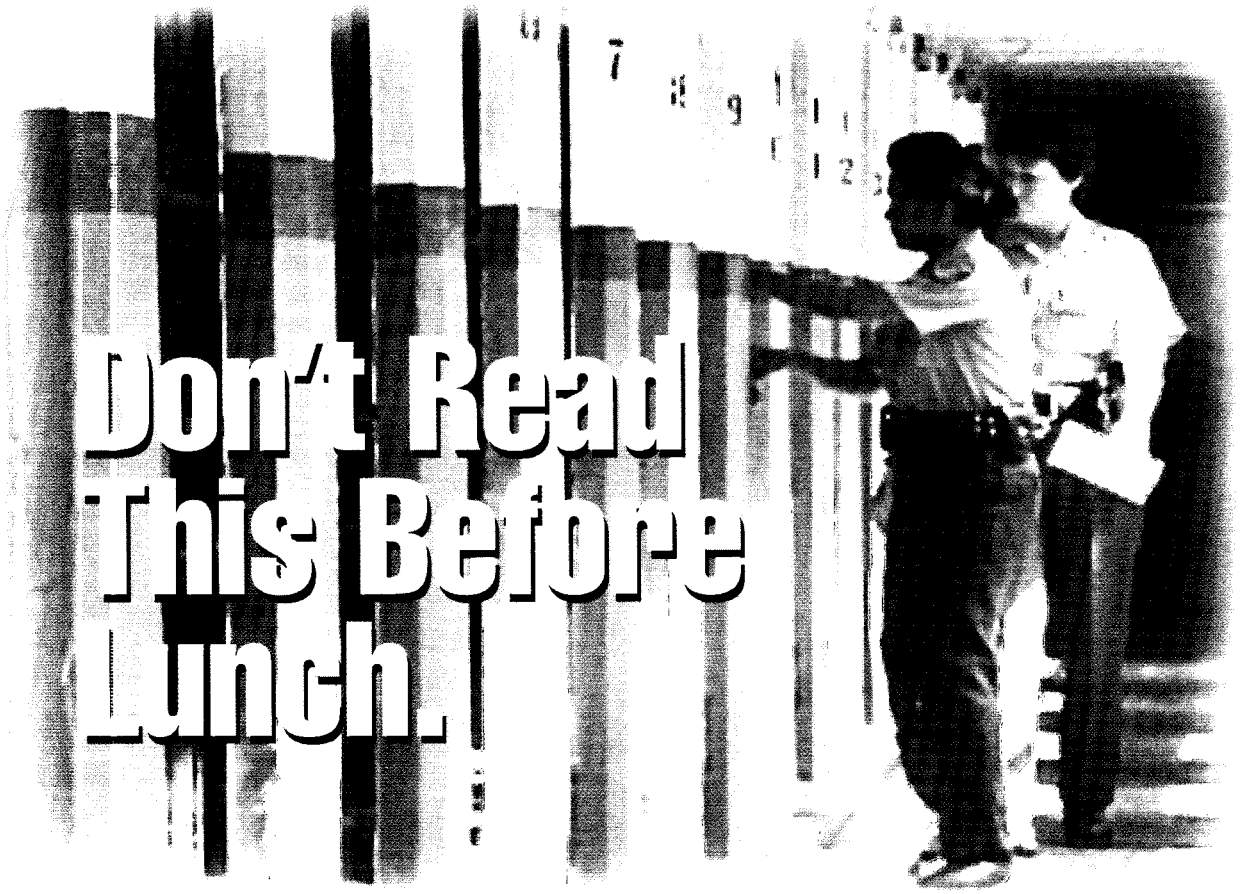

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That's finally about to change thanks to a new law authored this year by Assemblyman Rod Pacheco requiring testing of inmates who gas officers.

Gassing. It's just part of what we're up against on the toughest beat in the state.

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California is facing a serious shortage of electricity this summer.

No major power plants have been built in California for ten years. This year's below-normal rainfall in California and throughout the West threatens hydroelectric supplies. And as temperatures climb, so does demand.

We're doing all we can to help. We're working 24/7 to keep our power plants running and speed construction of new facilities.

You can help by conserving electricity at home and work, and by urging your neighbors to do the same. You have the power to make a difference — just by flipping a switch.

We're all in this together.
We're all part of the solution.

To learn more about ending California's energy crisis, call 916-448-9499 and ask for a free copy of our report "Powerful Ideas." Or visit our web site at www.turnonthetruth.com.

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